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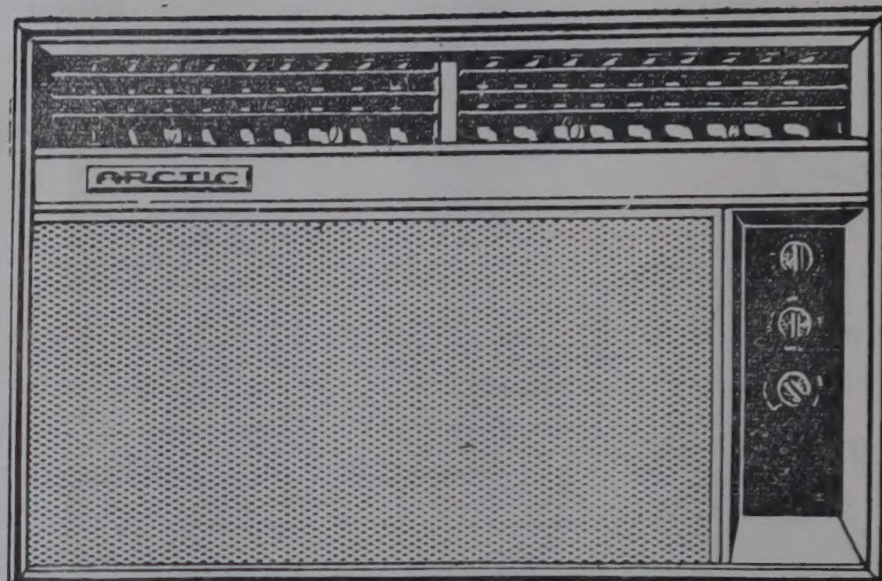
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WHILE PRESENTING the interim budget to the Lok Sabha on March 28, the Finance minister in the new government clearly explained that, as "there was no time since we assumed office to recast these estimates and to print the budget documents afresh", the annual financial statement and the demands for grants prepared earlier (by the previous government) "will serve the limited purpose of fulfilling the constitutional requirements for taking a vote on account before the 31st March, 1977". We need not therefore take this interim budget and its demands for grants any more seriously than Mr H.M. Patel has done; to quote him, "they do not reflect our philosophy, policies and programmes".

Nevertheless, the present government or its Finance minister clearly does not have a blank slate to write on. The immediate past will certainly cast its shadow heavily on the immediate future. The interim budget estimates present a picture which is altogether disturbing. Revised estimates for the financial year 1976-77 show that there will be a revenue deficit of Rs 47 crores instead of an anticipated revenue surplus of Rs 529 crores. This is in spite of an improvement of over Rs 288 crores in total revenue receipts, which has come about in the difficult context of stalled investment in industrial expansion and a demand recession in many industries. Worse still, the overall deficit has gone up from Rs 328 crores to Rs 425 crores, although total capital receipts have gone up by Rs 829 crores thanks partly to spectacular stepping up of open market borrowing.

Taking part in the debate on the interim budget, the Finance minister in the previous government naturally defended its management of the economy. He did not have to put his neck out, however, by laying claim to excellence. Even he who runs may read from the budget figures a story of fiscal profligacy which is an ironical commentary on the disciplinary ethics of the emergency. Apart from the direct financial costs of the emergency reflected in increased expenditure on such attractive items as police and jails, the dismissed Congress government, evidently, was liberal with the people's money in financing its massive effort to make India safe for Indira. Revenue disbursements on such items of expenditure as "General Services", "Social and Community Services", "Economic Services" and "Grants-in-aid to States etc" have increased very substantially as also capital disbursements on "General Services", "Economic Services" and "Loans and Advances". It would be useful, indeed, if Mr H.M. Patel would instruct the Finance ministry to undertake a detailed analysis of the nature of, justification for and returns from these increases in disbursements and share the resulting information with the public. Meanwhile, it should be easy for us to see the point of his forthright assertion that the present government can obviously assume no responsibility "for the budgetary developments during the current year".

That these developments have made their own contribution to the vigorous reappearance of bottled-up inflationary pressures is a reasonable assumption. The previous government was waving the big stick of monetary discipline at trade and industry all the time, but it itself was observing very little fiscal discipline. The emergency, certainly, seems to have had its own set of values, economic as well as ethical. The electorate has settled the political account of the old regime at the hustings, but the economy has still to pay the bill for the fiscal mismanagement of the fallen politicians. The budget estimates for the new financial year, as prepared by the previous government, indicate a net deficit of Rs 632 crores at existing levels of taxation and after taking into account special borrowings of the order of Rs 800 crores against drawal of foreign exchange reserves. Mr Patel has rightly said that "in the context of the rise in the wholesale price index of 12.5 per cent that has occurred since March 1976, any deficit financing has to be viewed with concern". He has also declared that "in order to reverse the rising trend of prices and to usher in a period of reasonable price stability, the government is of the firm

view that financing of public expenditure in a manner which would generate inflationary pressures should be eschewed".

This is also the broad principle on which the present prime minister, Mr Morarji Desai, had attempted to act during his terms as Finance minister in previous governments. But, on those occasions, the emphasis was on raising more resources through additional taxation. This approach has outlived whatever utility it might have had. In fact, if the tax policies of the last two budgets of the previous government have any positive lesson to teach us it is that even small reductions or reliefs in taxation, both direct and indirect, could actually help the government to improve its tax revenues although the economy may not be functioning at its full efficiency yet. Mr Patel may do worse than pushing this wisdom to its logical limit.

Simultaneously, the government has to reassert control over public expenditure, including Plan outlays. This is the precondition of relative price stability or other factors of economic normalcy. The Finance minister has promised to carry out this exercise by revising the budget

estimates in time for the presentation of the regular budget in May. Meanwhile he has asked the various ministries, departments and public sector undertakings under the control of the central government not to take up new schemes and not to enter into fresh major commitments. Even more meaningfully, he has decided that the possibility of re-phasing or re-scheduling continuing schemes should be explored. We may welcome this holding operation as an earnest of the government's resolve to dedicate itself to the realities of the development process instead of losing itself in the fictions of 'big' planning. Mr C. Subramaniam was tactless enough to twit the new Finance minister with his Swatantra past. Little did he realise that, by reminding Mr Patel of that affiliation, he was doing the country a service in a way not intended by him. There is more in the Swatantra credo that is relevant to the current problems of the economy and the community than is dreamt of in the philosophy of which Mr Subramaniam has been a practitioner for so many years. Truth is too strong to be destroyed by a label.

Cotton causes concern

AMONG THE many problems facing the cotton textile industry in this country, the uncertainties relating to the availability of raw cotton is an outstanding one. The indigenous production of this fibre has always been supplemented by imports in order to meet the rising demand of cotton textile mills. The volume of yearly imports has varied according to the state of the domestic crop. For example, the highest consumption of imported cotton in the last two decades was witnessed in 1960-61 at 1.19 million bales (one bale = 170 kg.) while the lowest was 0.2 million bales in 1974-75. An early, accurate estimate of the domestic crop, therefore, is central to the fixation of the volume to be imported in any year. Unfortunately, the official and non-official estimates of the probable yield of the cotton crop usually differ widely every year leading to delayed official decisions to sanction

imports. In the meantime, mills undergo hardships either through the non-availability of raw cotton or through its fluctuating prices.

The current cotton year, for instance, will end in August 1977 and at the time of writing, the East India Cotton Association (EICA) was not able to put forth a reasonably accurate forecast of the yield of cotton. All that the president of the EICA stated recently at the 55th annual general meeting of the association was: "I will not venture to forecast a crop estimate for this year but it is almost certain that the crop is substantially less than 6.6-6.7 million bales as estimated at the last cotton Advisory Board's meeting". Informed circles placed the crop for the current year between 5.5 and 5.7 million bales. Surely, this order of difference in official and unofficial estimates of cotton crop had a disastrous

impact on cotton prices in the market. The Bombay market reported a rise of more than 41 per cent in the price of Laxmi (A) cotton, more than 75 per cent for RG-320F variety of cotton and more than 83 per cent for CJ-73 variety of cotton between February 28, 1976 and February 28, 1977.

past experience

The spurt in cotton prices in the current year was not unique. In similar circumstances, fluctuations in cotton prices were witnessed in earlier years as well. For example, the percentage change in the index numbers of wholesale prices between the highest and the lowest levels was 56.7 per cent in 1970-71, followed by 56.7 per cent in 1971-72, 55.7 per cent in 1972-73 and 46.2 per cent in 1973-74. The National Commission on Agriculture, which studied this problem in depth, came to the conclusion that the various measures taken by the government at different times had failed to reduce the amplitude of the fluctuations in cotton prices. So the Commission: "Past experience indicates that measures taken to influence cotton prices either by price regulation or indirectly through regulation of movement of indigenous cotton, imposition of limits on stocks held by the mills or restricting availability of credit to the mills and mills have not been quite effective in containing price fluctuations of cotton within reasonable limits". It put forward the suggestion that this task could be performed by an agency in the private sector.

The government of India set up the Cotton Corporation of India (CCI) on July 31, 1970, which, among other things, was asked to "purchase, sell and otherwise dispose of and deal in raw cotton imported from abroad" in an effort to impart stability to cotton prices in the country. During the current year, the government allocated foreign exchange worth Rs 250 crores in order to import cotton from abroad in view of the expected shortfall in domestic production. By the end of February this year, the CCI had already imported 800,000 bales of foreign cotton worth Rs 215 crores, and if it had been offered to the cotton textile mills. While the CCI had thus played an extremely useful role in providing

ls with much-needed long staple ported cotton, it had failed to curb sharp rise in prices due to the big gap between demand and supply of this fibre. The monopoly procurement scheme in Maharashtra has come in for severe criticism in recent years. There is a view that this scheme has been instrumental in reducing the production of cotton in this state. The data tend to support this thesis. Whereas the production of cotton in Maharashtra was 1.20 million bales in 1972-73 and had risen to 1.76 million bales in 1974-75, the output in the current cotton year i.e. 1976-77 was expected to be no more than 0.75 million bales. This sharp fall in production was indeed intriguing and needed to be investigated. The National Commission on Agriculture had recommended in 1975 in its interim report that the working of this scheme should be watched for a few years before any decision was taken about its continuation in Maharashtra or its adoption by other states. In view of the sharp fall in production of cotton in Maharashtra, the time had come to review the scheme before further damage was caused to the output of cotton in the state.

undependable target

The Planning Commission is of the view that the demand for cotton in 1978-79 would be of the order of 8.2 million bales. While the production of cotton in 1976-77 is estimated to be less than six million bales, as stated above, the target for 1977-78 has been set at 7.5 million tonnes. It does not seem to be possible to attain this target because the output of this crop is highly dependent on rainfall. The irrigated area under cotton in 1970-71 was only 16 per cent of the total and not much improvement has taken place in this regard during the past seven years. The major strategy for increasing cotton production on long-term basis has to be concentrated on bringing additional area under irrigation. The only states which have made significant progress in this regard are Haryana, Punjab and Uttar Pradesh. Maharashtra and Madhya Pradesh which claim nearly half of the area under cotton in the country have little irrigation—not more than two per cent of the area under this crop.

It may be stated here that cotton prices

all over the world have been moving upwards since the beginning of the current decade. According to statistics compiled by the International Monetary Fund, cotton prices in 12 US markets multiplied almost three times from 25.10 US cents per pound in 1970 to 72.70 US cents per pound in December 1976 after having touched an all-time peak at 78.60 US cents a month earlier. In Sudan, cotton prices more than doubled during the same period. A similar trend prevailed in Egypt, Brazil and Mexico. The CCI has imported cotton both from the USSR and other cotton-surplus countries at prices much higher than those prevailing in our

country. Consequently, the subsidy involved in the disposal of CCI cotton stocks will need to be recovered elsewhere. Already the cotton mills have been asked to use at least 10 per cent of cellulosic staple fibre and polynosic fibre. It is believed that the cost of the subsidy would be neutralised by the accrual of the import duty to the exchequer on the import of man-made fibres. This is at best a short-term solution. The long-term solution to this problem lies in steadily increasing production for which intensive effort needs to be made in the next few years, especially in the area of stepping up the yield per acre.

AP economy making good

ANDHRA PRADESH has surpassed the neighbouring states in respect of the mobilisation of resources for implementing Plan schemes and economic development in a manner which could not have been visualised even at the beginning of the fifth Plan. Not long ago it was considered highly backward and Tamil Nadu used to boast of buoyant tax revenues and bold Plan implementations. The latter is now stagnating and without a new approach to outstanding issues, the lost momentum may not be regained. Karnataka, of course, has potential for large-scale development though the harnessing of available resources has not yet been attempted ambitiously and the required momentum may be gained after the throttling effect of the power shortage is overcome with the commissioning of generating sets under the giant Kalinadhi Project and the installation of gas turbines on an emergency basis.

The example of Andhra Pradesh however should provide inspiration to other states similarly placed in regard to the availability of natural resources and there is no reason why Madhya Pradesh, Uttar Pradesh, Bihar and Orissa which have abundant water and mineral resources cannot record similar gains. Uttar Pradesh is probably getting over the ill-effects of earlier slack in progress though MP, Bihar and Orissa are yet to get into full stride.

An analysis of the data relating to Plan outlays and budgetary resources in the current Plan period shows that strident progress can be achieved on a near self-financing basis without soaking the tax payer. This is because of a big rise in tax and non-tax revenues, increased central assistance, building up of reserves and the scope for borrowing in other directions.

The expansion of the base for collecting taxes has been helpful in realising larger revenues even without heavier taxation, though latterly the larger devolution of revenues from centre has also been a helpful factor. The revenue receipts of the state government will be increasing by Rs 111.17 crores in three years with budget estimates for 1977-78 placing aggregate revenue receipts at Rs 763.36 crores against Rs 652.19 crores in 1975-76 (accounts). Plan expenditure is being incurred on an increasing scale out of revenue receipts and the substantial revenue surpluses also have been helpful in meeting capital expenditure.

The revenue surplus in 1975-76 was as much as Rs 147.14 crores and there will also be a sizable surplus in 1977-78 at Rs 65.80 crores even with an increase in revenue expenditure to Rs 697.55 crores against Rs 505.04 crores in 1975-76 (accounts). The capital budget too has swelled in size, total disbursements in

1977-78 being assumed at Rs 350.19 crores against Rs 279.17 crores in 1975-76 (accounts). As a result of the growth in the state's resources and reasonable assistance from the centre along with borrowed funds for productive purposes, the cash position has been quite satisfactory.

The closing balance of Rs 29.10 crores was converted into a surplus of Rs one crore at the end of 1976-77. There will, of course, be a closing balance of Rs 52.50 crores at the end of 1977-78 on account of a big increase in Plan outlay. While the Finance minister, Mr Ranga Reddy, has sought only a vote on account for meeting expenditure up to July and has not formulated tax proposals for bridging the gap, it is confidently stated that the required resources will be found "by drawal of reserves, by better collection of revenues and arrears, increase in central assistance etc". This is indeed a happy state of affairs.

Plan outlay

The Plan outlay for 1977-78 at Rs 365.75 crores will be nearly $2\frac{1}{2}$ times the expenditure of Rs 148 crores incurred in 1974-75. It has been possible to exceed substantially the budget allocations every year because of heavy expenditure on major irrigation projects like Nagarjuna-sagar and Pochampad, minor irrigation schemes, power generation, transmission and rural electrification. The potential of the Nagarjunsagar and Pochampad is yet to be fully developed in spite of the massive expenditure on these schemes in recent years. The Godavari barrage at Dowlaiswaram is also being reconstructed while many other medium and small irrigation schemes are under execution and quicker progress can be recorded if only the necessary organisational facilities are strengthened and additional resources located.

The scope for development is vast as the utilisation of waters of the Godavari alone will call for systematic execution of many projects in the next two decades, while the Krishna waters too have to be fully utilised. There are many proposals for constructing a number of barrages across the Godavari and the schemes will take shape in the next few years when the required preliminary work has been

completed. The brisk execution of the Srisailem project on the Krishna river and the canal system in the command area of the Nagarjunsagar project will, however, lead to better use of water resources of the Krishna and the linking of Pennar river with the completion of Somasila project. It will then be possible for Krishna waters to reach Madras by taking advantage of the offer of the concerned riparian states.

irrigation facilities

The creation of new irrigational facilities and stabilisation of minor irrigation schemes have enabled an increase in food production by 40.5 per cent in three years and the growth would have been more pronounced but for a set-back suffered in recent months through cyclones and the breach of the Godavari barrage. It can be expected that with reasonably favourable weather conditions the 10-million-tonne mark will be surpassed in 1977-78 in respect of output of food-grains, and there will also be larger availability of oilseeds and sugarcane. The mineral resources too are being better exploited while the Visakhapatnam industrial complex is increasing in stature all the time.

While the progress on the agricultural front has been truly remarkable and a further increase in food production will add to the surplus and be helpful from the national angle, the performance on the power front has been spectacular and is in marked contrast with the poor achievement of earlier years. It is anticipated that the generating capacity will increase to 1648 MW by the end of 1977-78 from only 688 MW in 1974-75. The addition to capacity in 1977-78 alone will be over 400 MW as two sets under the Lower Sileru Project, one unit under the extension scheme of the Kothagudam thermal station and one unit under the Nagarjuna-sagar project are due to be commissioned. The phase of construction of Srisailem project is being hastened and the outlay will be Rs 32 crores in the new financial year against Rs 27.73 crores in 1976-77, the earlier allocation being Rs 25 crores. It is expected that external assistance will be available for this project.

The increase in power availability has

naturally resulted in quicker progress in rural electrification and energisation of pumpsets. With a fairly high proportion of thermal capacity to total, power generation has been stepped up significantly and the daily consumption has more than doubled to 16 million units in four years and the prospect of surplus being available to the neighbouring states has materialised to any significant extent. Difficulties in this regard may be overcome with better rainfall in the catchment areas of hydel reservoirs and an increase in the operating efficiency of thermal units.

The emphasis on progress recorded in recent years will have to be sustained if shortages are not to be allowed to emerge in coming years. With commissioning of a new zinc smelter in Visakhapatnam area and increasing emphasis on promoting power intensive industrial projects and energisation of pumpsets, there will have to be a doubling of generating capacity in the next five years with the erection of a superthermal station at Ramagudam or Kothagudam and the harnessing of the remaining hydropower potential. With vast irrigation facilities and increasing power generation, growth in the regional income can continue to be ahead of the national average in the foreseeable future.

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Eradication of poverty

It has been universally recognised that the removal of poverty and destitution in developing countries is possible only through the provision of productive employment for the unemployed and inadequately employed people. An effort was, therefore, made to evolve a strategy for increased employment at the Tripartite World Conference on Employment, Income Distribution and Social Progress and the International Division of Labour held at Geneva towards the middle of 1976, a report on which has now been made available.* This international employment conference, held under the aegis of the International Labour Organisation (ILO), touched a whole range of issues, particularly national employment strategy including technology for the generation of productive employment as well as international manpower movements and employment.

An important principle adopted by the conference stated that the provision of basic needs—food, shelter and clothing—for the millions in developing countries is possible only through a national strategy for mobilising increased investment and encouraging the utilisation of natural resources as well as the establishment of basic industries generating self-reliance. It has also been pointed out that increased investment will encourage diversification in employment and technological progress.

rural development

High priority should be given to rural development programmes, which include agro-industries, rural crafts and ancillary services. Stress should also be laid on the provision of credit, know-how and marketing facilities to people in rural areas. A significant suggestion was that mass participation of rural population in the political process should be encouraged which would safeguard interests of the rural people and assure redistributive

justice. The conference, therefore, proposed that governments should try to involve employers' organisations, trade unions and rural workers in the implementation of various programmes for employment generation.

An important subject discussed at the conference was the selection of technologies for productive employment creation in developing countries so as to maximise economic growth and employment. The developing countries have been advised to arrive at a reasonable balance between labour intensive and capital intensive techniques in order to reduce the technological gap between the advanced and developing countries, while maximising employment. Emphasis should also be placed on the building up of national infrastructure for human resource development, particularly the training of workers, technicians and managers for the selection of appropriate technology.

protection from discrimination

In the context of international manpower movements in order to reduce unemployment in some countries and shortage of labour in others, it was felt that the migrants and their families should be protected against discrimination. In fact the migration of workers should not be prejudicial to the rest of the population in either the country of origin or the country of employment.

Workers should be protected against exploitation by the provision of equality in terms of occupation, social security and cultural rights. The conference, therefore, proposed that efforts should be made to encourage the migrant workers and their families to preserve their national and ethnic identity as well as their cultural ties with their country of origin, including the possibility for their children to be given some knowledge of their mother tongue. A social policy in favour of the migrant workers should include reunification of families, protection of the health of migrant workers, establishment of adequate social service

and minimum guarantees as regards employment and residence.

It was suggested that multilateral and bilateral agreements should be drawn up to deal with the migration of workers and the problems concerning their families. As far as possible, representative organisations of employers and workers should participate in their preparation and implementation. Such agreements should be based upon the economic and social needs of the countries of origin and the countries of employment and should take into account short-term and long-term social and economic consequences of migration. As far as possible, fluctuations in migration movements, return migration flows and remittances should be regularised so as to facilitate the implementation of long-term programmes of economic and social development in both the countries of origin and employment.

exchange of information

It has been emphasised that there should be periodic exchange of information between the countries concerned on the occupational categories and the number of workers to whom jobs could be offered and who would be ready to migrate or return to their country of origin. Skilled manpower pools or data banks should be established to provide reliable information on the supply of and demand for skilled professional and technical manpower.

It is obvious that priority should be given to the recruitment of workers who are underemployed or unemployed. At the same time the country of employment should refrain from recruiting skilled and highly trained workers when there are recognised or potential shortages of such workers in the country of origin. In fact it should be possible to limit losses in the country of origin due to the departure of skilled personnel whose education and training it had provided. It should be possible to establish training facilities for those workers who wished to return to their country of origin, taking into account the needs of those countries. In such cases it should also be possible for the country of employment to adopt necessary measures to facilitate the voluntary return of migrant workers to their countries of origin.

**Meeting Basic Needs, Strategies for eradicating mass poverty and unemployment*; published by the International Labour Office, Geneva.

CAPITAL'S CORRIDORS

R. C. Ummat

Rabi procurement • Patel on state of the economy • Railway board restructuring • Production trends in public undertakings • Mineral exploration

HAVING DECLARED in its election manifesto that agricultural development would be accorded primacy in its economic programme, the Janata party government is, expected to face a testing time while deciding on the rabi procurement policy.

The Agricultural Prices Commission (APC) has recommended that the procurement price of wheat this year should be continued at the last year's level of 105 per quintal and the procurement target for this farm product should be set at 5.5 million tonnes. The farm lobby apparently has a powerful voice in the new government. Not only the ministry of Agricultural and Irrigation is headed by a representative of this community but also the Home minister, Mr Charan Singh, is a vociferous advocate of enhancing support to agricultural development.

impetus to growth

While the surplus producing states, particularly Punjab and Haryana, which are in the hands of the Congress at present, can be expected to repeat their claim for a raise in the procurement price of wheat on considerations that the agriculturists need to be provided impetus to grow more and the prices for farm products should have a reasonable relationship with the prices of consumer goods which the agriculturists have to buy, the deficit states are bound to contend this plea on considerations of containing the overall prices spiral.

The procurement prices of wheat and other rabi grains have not been raised during the past two years and the erst-

while government instead has been following the policy of reducing the prices of farm inputs to contain production costs.

reconciling of interests

But the prices of farm inputs have been primarily brought down in the case of fertilisers only. Electricity charges and water rates, on the other hand, have shown some upward trend. It remains to be seen how the new minister for Agriculture and Irrigation, Mr Prakash Singh Badal, will reconcile the contending interests of producers and consumers in the circumstances. To some extent, the situation may be retrieved by following the policy of wheat procurement directly from farmers eliminating the middle men so that the farmers get the full support price. This, indeed, has been suggested by the APC.

With the zonal restrictions on the movement of wheat products having been removed a few months ago, the procurement of wheat in line with the target suggested by the APC apparently is not going to be an easy task. With the stock position with government (18 million tonnes) being very comfortable, a somewhat lower rabi procurement need not worry. It will not put the food economy of the country in jeopardy unless difficulties arise in the way of the next kharif crop which will have a crucial bearing on the economy.

The current rabi crop, of course, is expected to be normal and ordinarily should have enabled procurement to the order of 5.5 million tonnes. In the event

of this target not being hit, the availability of foodgrains in the open market should be quite comfortable. Any possibility of open market prices showing a marked uptrend, therefore, can be ruled out because in case scarcity conditions arise in any part of the country, the governmental stocks can easily be harnessed to meet such a contingency. As has been the experience of the recent past, what the consumer resents is unduly high prices. He is amenable to pay something extra over the price at the fair price shops if he can get wheat according to his choice.

issue of subsidy

In case the procurement price of wheat has to be raised, the government may have to provide a higher subsidy for food from the central budget, for it is very unlikely that the issue price of grains to fair price shops would be allowed to go up. Even at the present level, the off-take from fair price shops this year has been substantially lower than in the previous year despite increase in population, reflecting that the consumer has been showing some preference to open market purchases on quality considerations.

The scaling down of the 5.5 million tonnes target suggested by the APC to some extent, in fact, may have the beneficial effect indirectly, for it will not only augment the supplies in the open market but also assist in containing the cost of buffer-stocking of foodgrains and warehousing. The procurement of 5.5 million tonnes of wheat will raise the governmental stocks to nearly 24 million tonnes, the servicing of which obviously will be an easy proposition. Its implications in regard to expansion in bank credit and the money supply with the public are obvious to be dwelt upon at any length.

It, of course, goes without saying that as in the past, the government will have to purchase whatever is offered to it at the procurement price if the faith of the farming community in the government's promises is not to be eroded.

It also remains to be seen whether the policy of compensating the surplus producing states with some bonus for procurement above the targets fixed for them will be maintained in case the proc-

nt price of wheat itself is stepped

The interim central and railway budgets presented by Mr H.M. Patel and Mr Madhu Dandavate, respectively, were approved by the two houses of parliament on March 31. The two regular budgets were expected to be brought before Parliament in May.

The highlight of the Lok Sabha discussion on the interim central budget was the rebuttal by the new Finance minister of the claim of the former minister, Mr C. Subramaniam, that the new government had inherited a sound economy. Mr Patel pointed out that agricultural production during the current year was expected to be substantially lower than in the previous year and trends were highly discouraging in the case of the coarse grains, pulses and oilseeds. He also stressed that the rise of about 12.15 per cent in the wholesale prices index during the past 12 months could not be viewed with equanimity. The national income during 1976-77, Mr Patel observed, was expected to increase only by two per cent. It was also a matter of serious concern that higher production in sectors like coal, steel, textiles and engineering had not been adequately observed by the economy and there was no significant growth in employment opportunities. A large number of industries, Mr Patel further stated, were showing signs of sickness. All this could not be styled as a healthy state of affairs.

faulty management

The rise in prices was attributed by Mr Patel to faulty management of the economy by Mrs Indira Gandhi's government. The satisfactory growth of the economy in 1975-76, during which year the national income rose by 8.5 per cent, Mr Patel opined, was mainly due to favourable weather conditions as a result of which the output of foodgrains had reached the record level of 120/121 million tonnes and the agricultural production in general showed a significant rise.

A 17 per cent growth in money supply during 1976-77, when the national income was expected to increase by just two per cent, Mr Patel said, could not but push up prices.

Mr Patel also questioned that adequate

resources had been made available for increasing irrigation facilities. If there was no constraint of financial resources for augmenting irrigation facilities, he wondered why inter-state water disputes were permitted to drag on despite the need for more irrigation. Mr Patel expressed the view that there had been no systematic planning of vast ground water resources, particularly in eastern India.

The rate of growth in industrial production, Mr Patel pointed out, had not been higher than four per cent per annum during the last one decade, although it rose to nine per cent in 1976-77. This was a sad commentary on the performance of Mrs Gandhi's government in the industrial sector.

Mr Patel alleged that despite comfortable foreign exchange position, the previous government had failed to augment supplies of essential commodities. Adequate imports of edible oils and cotton were effected only after considerable delays.

Mr Patel expressed the view that credit squeeze was not good in itself. The credit policy should be formulated in such a manner that it was flexible enough to provide adequate incentive for increasing production without generating inflationary pressures.

In the Rajya Sabha, Mr Patel asserted that the Janata party had the mandate to recast the fifth Plan. This assertion was made by him in reply to the suggestion by the former minister for Planning, Dr

Shankar Ghosh, that the planning process should not be interrupted and the new schemes should be allowed to be proceeded with as they had been decided upon by the National Development Council.

During the debate on the interim railway budget, Mr Madhu Dandavate made two important observations. He assured the two houses that he would examine the need for restructuring the Railway Board on the basis of the recommendations made by the Administrative Reforms Commission and the suggestions of the trade unions and others. The issue, he said, had to be examined in depth not only in regard to railway employees but for the entire country. Mr Dandavate also announced that the work on new railway lines in backward areas would be expedited wherever surveys have been completed.

The sixteen public sector undertakings under the charge of the ministry of Industry, indeed, have done well during the first eleven months of the current financial year. Their aggregate production during this period around Rs 703 crores exceeded the output during the corresponding period last year by approximately Rs 64 crores, although compared to the proportionate overall target for the 11 months to February, it turned out to be 91 per cent. The overall target had been set at Rs 772.91 crores.

With the tempo of activity continuing

Eastern Economist 30 Years Ago

APRIL 11, 1947

One of the baneful effects of British rule in India has been the ruthless and deliberate destruction of India's shipping industry in order to make room for Britain's expanding interest in the field. The report of the Reconstruction Policy Subcommittee on Shipping makes a scathing condemnation of the policy of the Government of India, not as a cheap appeal to political sentiment, but as a faithful record of historical facts. All manner of discriminations and unjust practices were used to oust Indian shipping. Indian

ships were banned from entering British waters and the Government of India imposed heavy discriminating import duties on goods carried in Indian bottoms. British companies plying ships in Indian waters were given all possible encouragement in the form of liberal mail contracts, diversion of traffic under government influence, and so on. They used questionable methods such as deferred rebates and waged ruinous rate wars against their Indian counterparts without any penal action by the Government of India.

at high pitch, the month of March was expected to have record some further improvement in respect of the realisation of the overall yearly target of approximately Rs 860 crores. An evidence of this is available from the fact that since November, the overall monthly target has been exceeded except during December. The output in February around Rs 86.32 crores worked out to 104 per cent of the target of Rs 83.01 crores. In January, it exceeded the target of Rs 81.37 crores by three per cent, the actual output being Rs 83.46 crores.

Bharat Heavy Electricals had produced goods by February to around 96 per cent of the target of Rs 388.78 crores. The aggregate value of the production of the undertaking amounted to Rs 374.52 crores—five per cent higher than the outturn of Rs 355.57 crores during the corresponding period of the previous year.

Among the undertakings which in February yielded production equal to or higher than their monthly targets were included: Tungabhadra Steel Products (195 per cent); Richardson and Cruddas (144 per cent); Bharat Pumps and Compressors (144 per cent); Hindustan Machine Tools (128 per cent); Triveni Structural (124 per cent); Arthur Butler (117 per cent); Gresham and Craven (113 per cent); Bharat Heavy Electricals (108 per cent); Braithwaites (104 per cent); Burn-Standard (102 per cent); Heavy Engineering Corporation (101 per cent); and Jessop and Company (100 per cent).

lagging units

Among the undertakings which were unable to hit their monthly targets were included: Mining and Allied Machinery Corporation (62 per cent); Bharat Heavy Plates and Vessels (89 per cent); Scooters (India) Limited (29 per cent); and Britannia Engineering (82 per cent). The shortfall in production at the Mining and Allied Machinery Corporation was attributed to inadequate supply of components and paucity of funds. The shortage of castings and forgings was responsible for the low production at Scooters (India) Limited. The output at Britannia Engineering Works suffered from power inter-

ruption and non-receipt of certain components.

The achievement of the various undertakings in regard to the targets set for them for the 11 months to February was as follows: Bharat Heavy Electricals (96 per cent); Hindustan Machine Tools (81 per cent); Heavy Engineering Corporation (84 per cent); Jessop and Co (89 per cent); Mining and Allied Machinery Corporation (88 per cent); Burn-Standard (99 per cent); Bharat Heavy Plates and Vessels (92 per cent); Braithwaites (89 per cent); Richardson and Cruddas (105 per cent); Triveni Structural (103 per cent); Scooters (India) Limited (54 per cent); Bharat Pumps and Compressors (77 per cent); Tungabhadra Steel Products (126 per cent); Gresham and Craven (99 per cent); Arthur Butler (92 per cent); Britannia Engineering (80 per cent).

cumulative production

The cumulative production in terms of value of the various undertakings during the 11 months to February was as follows (the figures in brackets are the proportionate targets for the 11 months and the production during the corresponding period last year): Bharat Heavy Electricals Limited, Rs 374.52 crores (Rs 388.78 crores, Rs 355.57 crores); Hindustan Machine Tools, Rs 79.61 crores (Rs 98.68 crores, Rs 70.43 crores); Heavy Engineering Corporation, Rs 75.17 crores (Rs 89.66 crores, Rs 67.57 crores); Jessop and Company, Rs 35.23 crores (Rs 39.40 crores, Rs 35.04 crores); Mining and Allied Machinery Corporation, Rs 26.86 crores (Rs 30.40 crores, Rs 22.91 crores); Burn Standard, Rs 28.03 crores (Rs 28.34 crores, Rs 25.36 crores); Bharat Heavy Plates and Vessels, Rs 25.09 crores (Rs 27.38 crores, Rs 18.39 crores); Braithwaites, Rs 16.94 crores (Rs 19.14 crores, Rs 14.52 crores); Richardson and Cruddas, Rs 9.94 crores (Rs 9.44 crores, Rs 8.62 crores); Triveni Structural, Rs 8.02 crores (Rs 7.77 crores, Rs 7.04 crores); Scooters (India) Limited, Rs 10.26 crores (Rs 19 crores, Rs 5.10 crores); Bharat Pumps and Compressors, Rs 6.56 crores (Rs 8.54 crores, Rs 3.07 crores); Tungabhadra Steel Products, Rs 3.39 crores (Rs 2.68 crores, Rs 2.08 crores); Gresham and Craven, Rs 1.60 crores (Rs 1.62 crores, Rs 1.26 crores); Arthur Butler, Rs 71

lakhs (Rs 77 lakhs, Rs 32 lakhs); Britannia Engineering, Rs 99 lakhs (Rs crores, Rs 80 lakhs); total Rs 70 crores (Rs 772.91 crores, Rs 63 crores).

* * *

The Mineral Exploration Corporation set up five years ago to accelerate prospecting of the mineral wealth of the country in certain critical areas, is engaged to step up its operations again during the next two years. Its total drilling capacity, which during the current financial year has reached a level of 100,000 metres, is proposed to be increased to 166,000 metres next year and nearly 200,000 metres in 1978-79—the terminal year of the current five-year period.

Besides using about 76 per cent of its drilling capacity for exploration in the coal sector in the last two years, the corporation has completed two of its important programmes. These are the completion of the top-priority time-bound bauxite exploration project on the east coast where vast bauxite deposits have been located and the establishment of a 1970 million tonnes of iron ore reserve with about 62 per cent Fe content at Chiria in the Singhbhum district of Bihar. This is stated to be the largest single iron ore deposit discovered in the country. Detailed investigation in the more promising west-central part of the deposit under phase II of the programme is in progress. These deposits are likely to cater for the needs of the expansion programme of Bokaro steelworks.

During 1977-78, the corporation engaged to take up detailed investigation for manganese and chromite in Orissa, Madhya Pradesh and some other areas.

In addition, exploratory pitting work in manganese and iron ore areas in Orissa, Bihar and Karnataka is to be undertaken.

The corporation has as well proposed taking up of five investigations for copper, lead and zinc in Madhya Pradesh, Rajasthan, Orissa, Uttar Pradesh and Bhutan. Investigations for limestone are proposed to be taken up in the Siju area of Meghalaya.

Identifying potential growth centres: an alternative method

D. Vasudeva Rao

The author who is connected with the Institute for Social and Economic Change, Bangalore, tries to bring out the importance of Composite Index of Development in fixing the priority for selecting towns for development purposes.

REGIONAL PLANNING and development is a very vast and complex subject covering multi-faceted development of all human activities such as demographic and socio-cultural aspects.

The central place theory by Christaller¹ and identification of growth centres and ordering them by Tinbergen², theories evolved by Brain, J.L. Berry³ and Richardson⁴ are still the leading works in the field. No doubt they are all unparalleled works in their own way—mostly applicable in the west. By the bifurcation ratio (K) technique (and use of entry point technique) when applied to the really underdeveloped regions of some of the command areas in India,⁵ the value of 'K' is going up to 3 or 9. This gives us only one or two higher order centres and a chunk of lower order centres, i.e. only two or three administrative centres like taluk headquarters or block headquarters coming as 'developed' centres and the rest grouped as 'lowest order'. This actually does not solve the problem of the regional planner or administrator. As a matter of fact, for social justice and like reasons, the lowest group should be taken up for development much earlier than the already developed ones.

deficient coverage

In many of our towns (of lower order) functions exist at various levels which are not commensurate with their population size or developmental stage.⁶ The study of the existing facilities, their types, their standards and the level of development needed—i.e. the quantification of infilling required—is the first and the foremost task to be taken up by the planner. Apart from quantifying the deficiency of the coverage of the existing functions, facilities and services, the planner should look into such future needs as power, housing, etc.

This article deals with a 'Composite

Index'⁷ of development, covering some major and important variables that quantify and indicate the extent of development at a given place. This requires only collection of some primary data and the calculations are simple unlike methods mentioned earlier which requires statistical calculation.

In Karnataka (India), two tributaries of Krishna river—Ghataprabha and Malaprabha—irrigate around 1.1 million acres in the three districts of Belgaum, Bijapur and Dharwar of the north Karnataka region. The benefit is derived in 19 taluks of the three districts—covering 29 towns classified as urban areas by census 1971.

POINT OF VIEW

From the concerned district census hand-books, the following data for all the towns is collected:

- (i) Area (sq. km.).
- (ii) 1961 and 1971 total population.
- (iii) No. of occupied houses and households,
- (iv) No. of domestic power connections.
- (v) No. of Industrial power connections.
- (vi) Road length (km.).
- (vii) Total workers and workers engaged in tertiary sector (trade, commerce, transport, communication, storage, other services).

Derived Variables : (For each town)

- (i) Density/km² = Population/Area
- (ii) Decennial growth rate = 1971—1961/1961 population.

(iii) No. of persons per household = 1971 population/No. of households.

(iv) Road length/10 sq. km. = Road length (kms)/Area (sq. km.).

(v) Per cent domestic power connection.

(vi) Per cent industrial power connection.

(vii) Per cent tertiary workers to total workers.

The units are different for different variables, hence some of them (i, ii, v, vi) are converted to the common base as proportion to the highest value in their respective range.

composite index

The arithmetic values, from the seven variables, are added up for each of the towns and the totals are arranged in the ascending order (Annexure-I). For the final value—"Composite Index of Growth"—the mean, SD are calculated. Mean = 128, SD = 85.

The new classification is made on the basis of Mean + SD technique.⁸ The classification of town, according to index, is as follows:

Class I—Between Mean+3 SD and Mean+2 SD

Class II—Between Mean+2 SD and Mean+1 SD

Class III—Between Mean+1 SD and Mean

Class IV—Below Mean

The towns, according to census data, are classified into the following categories:

	Census	Index	k=2*
Class I	3	2	2
Class II	1	2	2
Class III	6	9	8
Class IV	19	16	16

*at Bifurcation Ratio=2

The new classification is more realistic, i.e. evenly spread (not thick base) and is nearer to K=2 bifurcation ratio.

Some interesting observations can be

made by studying the upward or downward change in the positions of some towns.

Bijapur though a district headquarters, Class I according to census, becomes II order in the new classification. This is due to its underdevelopment of the variables considered — not commensurate with the fellow class I towns. In the perspective plan, it should be given sufficient push, so that it can catch up and maintains its I order with relatively lower, if not the least, investment than any other town.

The only class II town 'Gadag' came down to III order due to low density, household occupancy.

Two III order towns Jamkhandi and Gokak became IV order, due to very low density, power connection and road length.

A miracle happened in IV order towns. Navalgund shot up to II order due to its higher road length; relatively higher percentage of power connection and decennial growth rate. Other four IV order towns that became III order (Mudhol, Mudalgi, Ramdurg, Gajendragad) had some speciality for a lift, viz. industrial power connection, decennial growth rate, road length, density, respectively.

first priority

Thus, when the command area development plan is drawn up and the growth centres are selected for future development, it is stressed that, the lower order centres which have got the potentiality for early and easy catch up should be considered first. Out of the seven variables considered, those that are slightly lagging behind can be given a small push, so that the centre as a whole will respond quickly: the objective of Regional Planning—less investment, quick return—will be achieved.

The class IV towns which become III or II should be given top priority, for development for reasons more than one. Equal importance should also be given to those class II & III towns which have registered a downward trend. That is to be arrested by timely investment.

This article brings out the importance of the "Composite Index of Development" in fixing the priority—for selecting the towns of different orders—for deve-

lopment purpose. It is always better to look into/for more variables, than going either by population or tertiary workers alone to fix up the rank of a settlement in the process of growth and development—more so in the case of a developing region.

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Annexure

District	Name of the town	1971 population	Town class	Index of development	Ranking (M +SD method)
Bijapur	1. Badami	11651	IV	56.0	IV
	2. Guledgud	26365	III	145.7	III
	3. Jamkhandi	29981	III	126.6	IV
	4. Kerur	10820	IV	61.6	IV
	5. Mahalingapur	12635	IV	68.2	IV
	6. Mudhol	15619	IV	128.3	III
	7. Rabkhavi/Banahatti	37509	III	172.5	III
	8. Terdal	15537	IV	64.2	IV
	9. Bijapur town	103931	I	213.4	II
Belgaum	1. Athani	24378	III	140.9	III
	2. Bailhongal	19440	IV	126.0	IV
	3. Chikkodi	18338	IV	90.5	IV
	4. Gokak	29960	III	125.8	IV
	5. Konnur	15817	IV	18.0	IV
	6. Kudachi	14085	IV	57.8	IV
	7. Mudalgi	10557	IV	127.6	III
	8. Nippani	35116	III	172.0	III
	9. Raibag	12241	IV	36.9	IV
	10. Ramdurg	19697	IV	161.2	III
	11. Sadalga	12508	IV	19.4	IV
	12. Belgaum town	193472	I	354.8	I
Dharwar	1. Annegeri	14681	IV	42.6	IV
	2. Gadag-Betegeri	95426	II	178.6	III
	3. Gajendragad	15509	IV	172.9	III
	4. Hubli-Dharwar Corporation	379166	I	346.6	I
	5. Nakgal	12707	IV	59.3	IV
	6. Nargund	17338	IV	121.3	IV
	7. Navalgund	11985	IV	253.5	II
	8. Ron	13097	IV	67.0	IV

Source : District Census Handbook of Bijapur, Belgaum and Dharwar, 1971.

Abolition of octroi : government must act

Subhash J. Rele

Octroi is irritating and cumbersome, says the author. Many committees appointed by the government over the past 50 years have recommended its abolition but the government has been dragging its feet. The author has commended the scheme prepared by the Indian Merchants' Chamber which suggests changes in the mode of collection to avoid waste and inconvenience.

THE CENTRAL government's effort at exploring possibilities of octroi abolition on a national scale continues unabated. The aim is quite laudable—to ensure free movement of goods traffic throughout the country. One is heartened to know that the controversial issue is now being examined by a committee of five chief ministers. All the committees appointed by the government during the course of the last fifty years have recommended the abolition of octroi. The first committee—the Taxation Enquiry Committee in 1924-25, followed by others—the Local Self-Government Committee 1939, the Dalal Committee on Motor Vehicles Taxation Enquiry, 1950, the Taxation Enquiry Commission, 1959, the Committee on Transport Policy Co-ordination 1966 and the Rural Urban Relationship Committee, 1966, have been unanimous in their recommendations.

important milestone

For the smooth movement of road transport a system of national permits was introduced in September 1975. Though it is conceded that this is an important milestone in the development of road transport, it meets the problem half-way. The answer lies in the abolition of octroi. Though convinced of the necessity of such a step, the central government has been dragging its feet.

On February 24, 1976, the then minister of state for Shipping and Transport had observed, "The government recognises the need to remove the obstacles created by the octroi checkpoints. The question of eliminating octroi duty collectors at octroi checkpoints in different states by evolving an acceptable alternative tax or levy or evolving a different mode of

collection is under active consideration of the government."

Other checkpoints set up by other departments of state governments also inhibit the free flow of traffic. The solution to this problem lies in setting up consolidated checkpoints at single point for several functions. The government of Orissa has already taken a lead in this matter and set up six consolidated checkpoints in the state. The government of India has recommended the Orissa model to other states for adoption.

retrograde tax

Octroi is irritating and cumbersome. It offends all canons of taxation. It is a serious obstruction to the flow of goods transport and therefore serves as a brake on essential economic activity. The Keskar Committee termed it as a "fertile source of corrupt practices." It is uniformly condemned as a retrograde and obnoxious form of taxation. The states have retained this for fear of losing revenue. The Taxation Enquiry Commission found that octroi and terminal taxes on goods formed over 26 per cent of the total tax revenue of all municipalities and municipal corporations. It is admitted that proceeds from these taxes constitute the largest item of receipts for municipal bodies in Bombay, Madhya Pradesh, Punjab, Uttar Pradesh, Madhya Bharat, PEPSU, Rajasthan, Saurashtra, Delhi and Himachal Pradesh.

The abolition of octroi has gained special urgency after the introduction of the system of national permits for inter-state road transport. The report of the Road Transport Enquiry Committee revealed that the detention time of trucks at octroi and other checkpoints was high; it varied from 20 to 80 per cent of the truck's journey time. It is estimated that

on an average the time lost by trucks at these checkpoints amounts to a colossal 50,000 truck-hours per day, while in terms of value it means crores of rupees. The Keskar Committee found that the detention time for trucks as a percentage of total journey time because of octroi levy was nearly 80 per cent in the case of the Mangalore-Bombay route.

Octroi has resulted in the perpetuation of regional disparities, concentration of industries in metropolitan cities and the stunted growth of the rural economy. According to the Estimates Committee of the Lok Sabha, the slowing down of vehicles and idling of engines consume about 15 per cent of the fuel required and that the removal of the checkpoints would add 30 per cent to the transport capacity without any addition to the number of vehicles or increase in road mileage. All these add to transport costs which are ultimately borne by consumers.

search for a substitute

Can there be a viable substitute for octroi? It seems that municipalities and local bodies are keen not to lose revenue from octroi unless they are assured of an alternative source of finance. In some states, octroi has been abolished but now it is learnt that certain local bodies are either planning to reintroduce octroi or are contemplating to bring additional items under its purview. Very recently, the government of Madhya Pradesh abolished octroi but it proposes to make good the loss by imposing an "entry tax" on merchandise moving into the state and also by increasing "turnover tax" and property tax.

The Keskar Committee had suggested as many as four alternatives as substitutes for octroi: (1) Surcharge on sales tax or additional sales tax; (2) (a) municipal sales tax; (b) municipal surcharge on sales tax. (3) municipal turnover tax; and (4) other complementary levies. Since conditions differ from state to state, the committee thought it wise to leave each

state to pick and choose whichever substitute, one or more, suited its particular circumstances. Mr G.S. Dhillon, former Shipping and Transport minister was of the view that a multipurpose unit should be constituted to substitute the various existing authorities for conducting different types of checks.

More recently, the study group on octroi which was appointed by the government of Maharashtra, under the chairmanship of Mr S.K. Wankhede, while dealing in details and considering various alternative ways of raising revenue in lieu of this levy recommended introduction of multipoint turnover tax at a flat rate. The study group referred to the high cost of collection and the corrupt practices to which it gives rise to and the resultant delays and needless harassment. It lowers industrial and other efficiency and therefore the study group has made an earnest recommendation that "the levy of octroi needs to be eliminated".

objectionable features

The business community however finds some objectionable features in the scheme. They feel that the scheme "would disturb the organisational arrangements connected with the handling of trade; it would bring within the purview of the tax even those commodities which are at present outside the pale of the state sales-tax such as textiles, sugar and tobacco and are covered by the scheme of additional duties of excise in lieu of sales-tax and it will bring in the taxation net a large number of additional dealers irrespective of their turnover." Having regard to all these considerations, the business community had suggested that the existing framework of the sales tax law should be utilised for the purpose of raising the requisite revenue for compensating the municipalities and other local bodies for the loss that would be sustained by them as a result of the abolition of octroi.

The Indian Merchants' Chamber has prepared an alternative scheme. At present, octroi is collected at checkpoints from the road transport operators. The IMC scheme contemplates change in the mode of collection with a view to avoiding inconvenience and the tremendous waste of capacity resulting in detention of a large number of vehicles for physical

checks at every octroi post. The main features of the scheme are:

1. Octroi will continue to be levied and collected.

2. It will be collected from the consignees to whom goods are despatched from outside the city limits.

3. All octroi checkpoints will be abolished.

4. The transport operators will be able to take the goods straight to the factories or godowns of the consignees.

5. The consignees will have to pay directly to the authorities octroi at the rates leviable on concerned commodity.

6. The octroi authority will collect from the truck-driver at the time the truck enters the city limits a statement showing details of the goods carried in the truck and the names, addresses and sales tax registration numbers of the importing dealers. This statement will serve the purpose of verification of the figures furnished by the dealers. Penalty will be prescribed for deliberate mis-statements.

7. The purchase registers and accounts maintained by the consignees for sales tax purpose will have additional columns for "octroi goods", the rate of octroi, the octroi amount due and the statement number. In order to avoid duplicating of authority for checking the same records, it is suggested that octroi assessment should also be done by the sales tax department on behalf of the municipality.

According to the IMC scheme, the

transport operators will be able to take the goods straight to the factories or godowns of the consignees and the liability to pay octroi will be shifted from transport operators to the consignees. This change in the agency for paying octroi would involve a change in the procedure for collection of this impost. Whereas the present system involves a physical check at the checkpoints with any further formalities after the goods cross the checkpoints, under the new scheme there will be no need for maintenance of registers and other books, accounts, verification of these documents and determination of the octroi assessment.

The scheme is flexible. Under it, octroi will be collected like purchase tax on the goods imported from outside the city limits. For this purpose separate columns will be maintained in the purchase register. These entries in the purchase register could be verified, if necessary, with the relevant statements. Payment will be made on a monthly basis. Assessment, however, will be yearly along with the sales tax assessment. In the case of consignments imported into the city by railway or steamer, octroi may continue to be collected at the railway yard or at the docks as per the present practice.

The scheme has several economically sound elements and needs a close scrutiny by the committee of the five chief ministers who are at the moment going into the issues involved in octroi abolition.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

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The north-south dialogue

The mechanisms of the 'New International Economic Order' can only be created by a cooperative dialogue that recognises economic realities—not by political devices such as cartels of raw material producers, says the distinguished American economist, Attiat Ott.

Chopra: Dr Ott, the poor nations of the world have failed to achieve any significant improvement in the level of living of their people during the last three decades though a number of assurances were given to them by the rich countries through the United Nations and its various agencies. Do you think that there is much hope of the "New International Economic Order" delivering the goods?

Ott: I think we should distinguish between the label itself and the political aspect of it. You may recall that the United Nations General Assembly had decided for the establishment of a New

it, I do not think it is a new economic order.

Chopra: Leaving out peripheral issues, let us move to the heart of the matter. The NIEO, as I understand it, seeks a just and equitable relationship between the prices of primary products and raw materials exported by developing countries and the prices of capital goods and equipment imported by them. Do you think if we concentrate our attention on this element of the NIEO, we will get somewhere in fulfilling the expectations of the developing countries?

Ott: If obtaining equitable prices for

S. P. Chopra

mechanism would have been new but we have no such mechanism as yet.

Chopra: The oil-exporting countries took courage in joining hands and establishing a cartel for the sale of crude oil which has come to be known as the OPEC. In one move, they not only obtained a fair price for oil but also caused substantial shifts in world monetary reserves. In your view, can producers of other commodities improve their fate by following the footsteps of the OPEC?

Ott: Let me go over a few of the historical landmarks. The OPEC—Organisation

WINDOW ON THE WORLD

International Economic Order (NIEO) after the failure of the International Development Strategy to boost the over-all annual growth rate of the poor countries. The NIEO implied that the UN acknowledged the right of developing countries to have full and permanent sovereignty over their resources (including the right to nationalisation), to organise cartels or producers' associations to improve their terms of trade, and to be increasingly self-reliant. In fact, that is a complete blueprint of the NIEO. Let me state that drawing up a blueprint is one thing and having a new system in operation is an entirely different thing. But as I look at

raw materials is taken as the foundation of the NIEO, then there is hardly anything new about it. Way back in 1964, Dr Raul Prebisch had advanced the same argument. In my view, the developing countries have been getting more and more from the developed countries while the producers of raw materials have not been giving the poorer developing countries a fair share of their export earnings. Thus, the new economic order hardly says anything new. It would be really new if it could set up a mechanism by which a fairer system of pricing raw materials vis-a-vis manufacturers could be had. Saying it does not make it new. Setting up a

Dr. Attiat Ott, 42, is a professor of economics at Clark University, Worcester, Massachusetts. She has taught at several other universities as well, and has been an economic consultant to a number of US Government agencies—such as the Department of Health, Education and Welfare and the Treasury Department's Office of Tax Analysis. She has published three books including *Macroeconomic Theory*, and papers on a variety of economic subjects.

Visiting India in December-January, Dr. Ott delivered lectures on the "New International Economic Order" and allied subjects in Bangalore, Mysore, Madras, Patna and New Delhi. She was interviewed in New Delhi by S. P. Chopra, Senior Assistant Editor of the *Eastern Economist*.

of Petroleum Exporting Countries—did exist before the unilateral hike in oil prices in October 1973. They were not selling oil in a freely competitive market. The producers had their association. One element in their favour was that they were handling a large commodity in international trade. Oil alone constituted four per cent of world trade. No other raw material had that important practical significance in world trade. That was why the OPEC was a success. Similar cartels in

the case of cotton, cocoa, coffee, tea, etc could not succeed.

Chopra: Why not?

Ott: Because these commodities had low income elasticity of demand. As buyers' incomes rose, the amount that they bought did not rise as fast as the rise in their incomes. Furthermore, there are substitutes. When the price of copper rises, the buyers can use scrap copper or aluminium. When the price of raw rubber rises, they can switch to synthetic rubber. So these commodities do not have the same capability that oil has.

Chopra: Do you mean to say that all these commodities cannot get adequate prices by following the OPEC approach? Or do you think these primary products must satisfy certain conditions to claim recognition on the same lines as oil? If so, what are these conditions?

Ott: In my view, there has to be a case-by-case study. Take the case of bauxite. Jamaica decided unilaterally to quadruple the price of bauxite in 1974. No newspaper even picked up this news. Nobody ever talked of forming a "Bauxite Association". Since the cost of bauxite in the manufacture of aluminium is insignificant even if its price is doubled, trebled or quadrupled, it does not affect the price of aluminium. But as soon as the recession set in, the demand for bauxite in developed countries fell, leading to a decline in prices. Today the price of bauxite is below where it started. Thus, such commodities as bauxite may enjoy a forced price rise in the short run, but in the long run they have no chance whatsoever.

Chopra: This brings us back to square one. We know that during the last three to four years, the terms of trade have moved against the developing countries. In the case of the non-oil-exporting countries, the terms of trade moved unfavourably by 12 per cent between 1973 (100) and 1975 (88) and they are believed to have deteriorated further in 1976. So the dilemma that these countries face is how to get out of this difficult situation. The success of the OPEC had heartened them, but if that experience cannot be repeated in the case of other commodities—and there is some weight in the argu-

ment advanced by you—then what is the way open to these poor countries?

Ott: Let me first comment on statistics. I think that bracketing all the countries together and talking about the terms of trade is meaningless. Look at the OPEC. With 1973 at 100, their terms of trade in 1974 and 1975 did not worsen; they went up to 365. Again, if you look at the group of developing countries that export manufactured goods—South Korea, Mexico, Israel fall in this category—they were placed in a happy position in 1973 when the raw material prices fell; the raw material boom of 1971 and 1972 had affected them adversely because they had to pay a high price for the raw materials that they imported. If you look at other groups of countries, you see a different picture. Developing countries with per capita income above \$250 have improved their terms of trade and those below this level of income have suffered a setback. And there is no doubt that 63 per cent of the population of developing countries lives in areas that continue to experience deteriorating terms of trade. The picture thus changes from area to area.

Chopra: Despite the differences between the various groups of developing countries, the central argument in regard to deteriorating terms of trade for the bulk of the population has not been convincingly refuted by you. How long can these countries put up with this unfavourable trend? Why not devise ways and means to increase the earnings of these people, failing which the quantum of assistance should be increased.

Ott: The OPEC countries have acquired resources since October 1973 that could no doubt be used in the poor countries. Billions of petrodollars are today floating around Europe. They could be used for investment in the developing countries. The OPEC provided only a fraction of its newly gained resources for use in these countries, while the bulk of it went in various cycles to developed countries. Why the OPEC ignored the interests of the developing countries—of course this is a separate problem.

Regarding imitation of the OPEC by the developing countries, all I would like to say is that even the OPEC may not be able to sustain its power because of the break

between Saudi Arabia and other members of the OPEC. In my view, the creation of producers' associations may be good politics but it is bad economics. As an economist, I have to frame my answers within the expertise at my command. It seems to me that moving away from politics, we have to recognise economic realities. The problem really boils down to providing help to the developing countries for their economic growth, and for this purpose, we should direct a dialogue within that framework. We must find out the most viable and efficient way to transfer technology and resources to the developing countries. I do not think the producers' associations are capable of performing this function. This is hardly the right approach to the problem.

Chopra: The conclusion is irresistible from what you have stated—that a number of countries even among the developing ones that have improved their terms of trade is small. A majority of the poor countries have not fared well except in the matter of receiving the same parrothead-like advice that they should try for a consensus and not a confrontation. Unfortunately, this line of argument is becoming difficult to sell to the hard-hit poor countries. They find that it is leading them nowhere. Hence the search for new ideas. For example, the concept of indexation: Do you think it can help in coming up to the expectations of the developing countries?

Ott: Before I answer your question on indexation, let me state that the developing countries differ widely in the stages of economic development. Take the cases of India and Tanzania. India is surely not at the same stage of economic development as Tanzania. There was a time when India depended on a few traditional commodities for its export earnings. But today the picture has changed completely. You have today an extensive industrial facility backed by the necessary infrastructure. That is all that is required for economic development, and you have already acquired it. You have successfully marketed industrial products abroad. Your problem is no longer one of seeking increased prices for raw materials. Even for your country, this is not the right policy to pursue even though you may

on grounds of solidarity. Now let us look at Tanzania. More than 90 per cent of its export earnings are based on two products—coffee and sesame. Tanzania is not in a stage of development where it may be able to diversify its exports. It does not have the basic infrastructure. It does not have enough food to feed its people. Surely, its major concern is procurement of adequate prices for its raw materials.

If you look at these two groups of countries, you become aware of the conflicting interests. Politicians may not like to talk about it, but the economists can not help talking about it. The interest of India as India is not the interest of Tanzania as Tanzania. Their common interest as members of the Third World may be common because after all, they are still—all of them—way behind the developed world.

Turning to indexation, this idea was put forth by Iran with the support of Algeria. It did not gain ground anywhere, not just because the developed countries opposed it but because the developing countries themselves did not agree to pursue it further and for a very simple reason: What prices to choose and what commodities to include while computing the index numbers? The wholesale price index of all manufactured goods taken together is not indicative of anything. You have to look at it industry by industry. Similarly, the clubbing together of all raw materials to estimate changes of their prices is also indicative of nothing because each one of them is under the spell of a different elasticity of supply and demand. How sensitive is the demand for each commodity and how much is demand versus supply?

Besides this, there were the technical problems. The United Nations Conference on Trade and Development (UNCTAD) tried to compute the index, but the attempt failed in regard to the selection of goods in the basket.

If a country such as South Korea buys primary commodities from other countries and processes them for export, how can you talk of indexation for it? It is important for it to get cheap raw materials; what

indexation can be applied to the manufactured export goods in this case?

Again, the basket of goods bought by a country depends on its level of development and also its military needs. Iran is the champion of indexation, but 50 per cent of its import basket consists of military hardware. The prices of new military weapons due to inputs of technology have risen far above the prices of manufactured goods even with inflated prices. Selecting Iran for the representative basket of goods is being unfair to other countries. Until the conflicting interests of these countries are reconciled, no indexation can take place. That is why no progress has been made in this regard so far. Even the developing countries have stopped discussing it.

Chopra: The picture you have painted looks a little depressing. While the new order is not expected to succeed, as you

'Developing countries differ widely in stages of economic development. India is surely not in the same stage of development as Tanzania' whose exports are based solely on coffee and sesame. India has an extensive industrial facility backed by the necessary infrastructure.

stated, let us remember that the old order also failed despite the multiple arrows in its armoury, such as economic aid technical assistance, increased flow of capital as well as technical know-how through multinationals, tariff preferences, generalised system of preferences, compensatory finance and so on. Now, may we pass on to a specific thing like technical assistance? Do you think it is possible for the poor countries to imbibe highly sophisticated technology, which the industrialised nations are developing at breakneck speed? You know that in the United States and western Europe, technical know-how is doubling every 20 years, while in the developing countries the bulk of the people have not as yet assimilated what was discovered at the beginning of the current century. How fast can the new technology be transferred to improve the lot of the people in poor countries?

Ott: I think that in regard to the assimilation of technology, I am a little more

optimistic—and there are two reasons for it. First, it is true that technology in use in advanced societies cannot be transposed into any other society that has not had some ingredients to absorb it. But we will have to determine the appropriate technology suitable for a developing society before taking steps to introduce it. Second, we will have to study the experience of those countries that have hitherto succeeded in making use of relatively advanced technology. Your own country got technology from the west, modified it a great deal and then put it to use. At a recent conference in India I was told about the measures taken to improve the efficiency of the bullock cart! Similar experiments will have to be tried in other countries.

But I must say that technology has a price. Most of the technology, as you know, is developed in the private sector in the west. The government does not produce technology. It is usually the private entrepreneur, who charges an extremely high price for his ideas. The new order should try to find a way to get cheap technology. I am deeply concerned with this problem facing the developing countries as a person who originally belonged to a developing country—I was born in Egypt. India, Egypt and other developing countries have to acquire technology at prices cheaper than those currently available to them.

Chopra: Here is the last question. Taking stock of all the ideas that have been mooted to mitigate the misery of the poor countries, will you as an economist enumerate in the order of priority how the problem of poverty of the developing countries can be resolved? What do you think is the first step that ought to be taken, followed by the second, third, fourth and so on?

Ott: Now, if I could give you the answers in order of priority, I would probably get the Nobel Prize! But I do not think I can do it. However, I will make an attempt. First, there is the political stability that must exist before we can freely move to concrete solutions. Let me elaborate on that point. It is not the lack of capital that is preventing the economic progress of the developing countries. Take the OPEC for example. It has \$300 billion. That money could have been made avail-

able to the developing countries for investment. They gave the poor countries very little, though they did set up the oil facility. Recently, the OPEC met at Qatar but adjourned without agreeing on the quantum of aid they would give to the poor countries. They are afraid to invest even in the neighbouring Arab countries for fear of the future of that investment as well as the rate of interest on investments. So, we have to eliminate the fear that exists between countries.

Second, we have to reconcile private benefit and private cost with social benefit

and social cost. Let me illustrate it. As an individual I am earning a certain amount of money. My first responsibility is toward the education and welfare of my children. They are to be given good schooling, good clothes and good food. Part of my income I give to the government, without grudging, by way of taxes because of my social responsibility as an individual. The government in turn may part with a fraction of the taxes so collected for the benefit of the developing countries. But it is bound to be insufficient, keeping in view the massive needs of the poor countries.

We can make a start by creating awareness in the developed countries about the social consequences in developing countries if aid in the requisite volume does not reach them in time. Without that, a proposal that may be put forward will be no more than a blueprint having slender chances of being implemented. As an economist I believe that these resources should be transferred within the apparatus of a market system—though grants, aid and foreign investments—rather than through the distortion of commodity prices.

The Roman circus comes to town

On March 25, the European Economic Community began celebrations of the signing of the Treaty of Rome. During these two decades the community has achieved a good deal, but the transition from the Common Market to Community has proved difficult. The Community needs an agreed strategy to deal with the problems of flagging economic growth.

THE EUROPEAN Economic Community, better known as the Common Market, has had a birthday which it regards as something of a milestone. On March 25, the Community began celebrations of the signing of the Treaty of Rome which brought it into existence. If all the leaders who assembled in Rome for this event were by no means of one mind they were certainly of one intent—to make the occasion as amiable and enjoyable as possible; even President D'Estaing was able to relent sufficiently to agree that the President of the European Commission, Mr Jenkins, might attend the coming world economic summit in London early in May within certain restrictions.

In its first twenty years the Community has achieved a good deal. The French feel themselves to be the founder fathers of the community idea with good reason. It was the French Foreign minister, M. Schumann who, on May 9, 1950, set the ball rolling by proposing the setting up of the European Coal and Steel Community, the first of the three Communities ECSC, EUROATOM and the EEC which fused in July 1967 to become the European Community. Despite enduring difficulties, the first Six achieved a tremen-

dous amount. Now Nine very different states are, after 20 years, still striving to create a new form of political and economic union, more comprehensive and binding than even the European Community itself. It is a noble ideal; in a world full of lack lustre in the matter of true cooperation, it is a remarkable achievement and one worthy of public sympathetic if critical support. The immediate aspects are that the Nine will become Ten before many years with the addition of Greece to their number, with Portugal, Spain and later Turkey in the corridors of approach to membership. Of all European nations who have been asked their national opinion whether to join or not only Norway has said no.

Apart from the fact that the Kennedy Round brought its long and difficult labours to successful conclusion during the period of the Market in the 'sixties, the Community has extended its attention to other continents with generally beneficial results. First was an association agreement with Kenya, Tanzania and Uganda signed in Arusha. French benefit to its former overseas territories was achieved through the Yaounde agreements, with Mauritius joining in 1970. The Lome

agreement extended Market customs benefits to many other non-European countries and several agreements over beneficial tariff rates for such commodities as textiles, tobacco, and tropical products have brought Market benefits to many overseas traders in many countries, benefitting not only the overseas trade but greatly enriching the commodity content of the European markets.

the great danger

A long list of disadvantages and failures (so far) could be compiled; the greatest danger to the Community in recent years has been that it would stagnate in face of its many internal frustrations.

It is more to the point to enquire briefly how the Community has come to reach this pass. In a sense it has been a victim of its own success. The early treaties were limited in scope. Aims were generally to remove all man-made obstacles to the free movement of goods, labour and capital. Autarchy in trade was to go. It is the next stage the transition from the Common Market to the Community that has proved to be a much more difficult than knocking down impediments to free trading. As the first aims have been fulfilled there has tended to grow an increasing vacuum, with the Market institutions becoming more confused in their working as integration slipped ever beyond reach. The Community has joyfully celebrated its twentieth year

emerge facing something of a dilemma.

In its search for a new dynamic, Europe has tried several paths which have proved to be blind alleys. The idea of a 'technological community' has foundered; the concept of EMU, an economic and monetary union, has so far failed because it runs straight up against the increasing divergence of Europe's national economies. The concept of the currency 'snake' has served only to emphasise how weak are the weak and how strong the strong. Even the concept of 'Europe with a human face' to protect the environment, which might be thought to be more meaningful to men and women generally, has run into trouble despite some progress. The reasons for the disappointment are instructive. The reforms envisaged involve not only spending large sums of money but impinge on national sovereignties. From 1973 onwards every government has been obsessed with the need to take all steps possible to reduce inflation and to defend what remained of their balances of

payment. The strain has made the rich countries unwilling to help the poorer ones; the poorer are unable to afford the luxuries of the Community's ideas.

Despite all efforts, unemployment has not diminished; currencies are still unstable; governments cling to their areas of prerogative in order to have means to shield themselves from ever-threatening economic storms which could lead to social security storms later.

The two great issues of concern to every European are inflation and jobs. If the Community is to retain creditability and a measure of political support it must be seen to be tackling these problems. There is no willingness by trade unions to accept the idea of forced mobility—a concept that workers must move to where there is work if necessary. The individual everywhere demands more job security and at home. Unemployment will undoubtedly remain a significant problem for the Community and for all in Europe well into the '80s and will then be aggra-

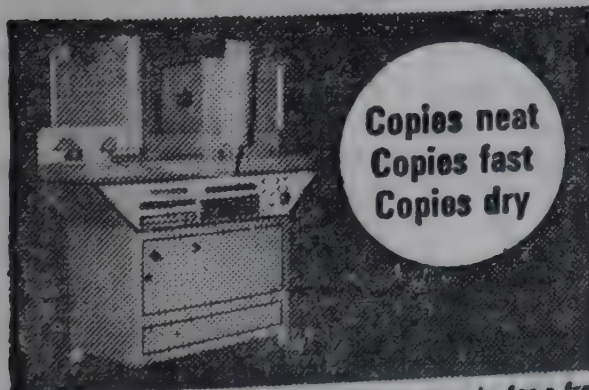
vated by the growing impossibility of maintaining a ban on immigration from outside the Community.

To continue to succeed, the Community needs an agreed strategy to deal with the problems of flagging economic growth, unemployment, diverging national economies and inflation. It needs to give attention to social issues also and all at European and not national level. It needs a clearer and more discriminating sense of priorities and realisation that problems that nations fail to solve do not become easier through being tackled internationally—rather the reverse. The Community now needs clearly defined purpose, strategy and great facility for adapting to changing political and economic environment. It is an ideal that should not be allowed to fail; to succeed it needs far more drive and deliberate expertise than it shows at the present time. A stronger European parliament as critic and spur would be one to achieve a more efficient machine in Brussels to help solve west European and partly world problems.

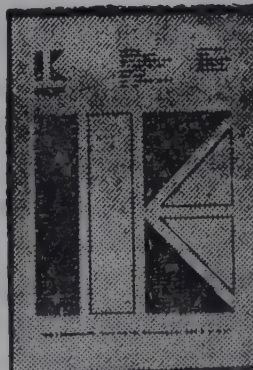
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Healey links tax cuts to pay restraint

Reviewing Britain's economy in the course of his speech during the "no confidence" debate in the House of Commons on March 23, the prime minister, Mr James Callaghan, claimed that "since the events of last autumn there has been a new stability in the financial and monetary affairs of this country." He pointed out that reserves had risen by \$ 307 billion in the last two months, more than £6 billion worth of gilts had been sold to help finance borrowing requirements, interest rates had come down, domestic credit expansion was being kept well within the target of £9 billion in a full year, unemployment figures were showing some decline and the rise in import prices had slowed down to 2½ per cent "in the last three months." According to him, confidence in sterling has been restored, thanks partly to the IMF "safety net" and the \$ 1.5 billion medium-term credit negotiated with commercial banks, business confidence is on the upturn and there are good prospects of inflation being brought down by the end of the year to a rate below the 15 per cent estimated last December. Against this background, Mr Pat Reynolds (BIS Economic Correspondent) reports on the highlights of the British budget presented last week.

BIG INCOME-TAX cuts paving the way for third year of pay restraint from the heart of Britain's annual budget presented to the House of Commons on March 29 by the Chancellor of the Exchequer, Mr Denis Healey.

Stressing the scope for a carefully controlled fiscal stimulus, Mr Healey announced £2½ billion tax cuts, partly conditional upon a continuation of pay restraint in 1977-78. To offset part of the impact of these cuts, there would be an increase of £750 million in government revenue as a result of indirect tax increases and other minor measures. Such was the "hard news" of Mr Healey's announcement. But on a wider plane he outlined three major objectives for the British economy: the reduction of inflation, an improved trading performance and increased manufacturing competitiveness.

Pay policy, he suggested, was the key to improving the inflation rate. By the end of a third year of pay restraint—that is, by mid-1978—Britain had the chance of reducing inflation to the level of its principal trading rivals.

Mr Healey said he believed a satisfactory 1977-78 pay agreement could be reached. With such an agreement, the prospect was for a single-figure rate of inflation by the second quarter of 1978.

On the trading front, Mr Healey expected the current-account deficit to be progressively eliminated. There were

good prospects of a healthy surplus in 1978. He however added: "We must not only eliminate our balance-of-payments deficit but also earn substantial surpluses, so that we can start repaying our accumulated international debt while still maintaining adequate reserves."

On industrial performance, he called for improvements in both price competitiveness (through higher productivity) and non-price competitiveness (better product design, for instance). The £2½ billion tax cuts consist of an immediate reduction of £1½ billion and a further reduction of £1 billion conditional upon a pay deal consistent with the country's inflation policy. The £1½ billion consists of: (1) increased personal allowances—that is, the amount of income allowed before any tax becomes payable; and (2) an increase in the levels of income required before the higher tax rates—that is, those rates above the basic rate—are triggered. The increase in these levels will be of special benefit to middle management.

The £1 billion of tax cuts conditional on pay restraint is planned to be brought about by a reduction of the basic (lowest) tax rate from 35 per cent to 33 per cent of income after allowances. Although all workers will benefit from this, the biggest proportionate benefit will go to the highly skilled worker.

To offset the tax cuts in part, the Chan-

cellor announced increased taxes on cigarettes, road fuel and heavy oil as well as increased vehicle excise duty. Such increases would combine with other measures to raise government revenue by £750 million. There was to be no change in corporation tax. Stability in company taxation was an important part of Britain's industrial strategy. But the Chancellor approved improved tax treatment for smaller companies. He was concerned that the government's prices plans would not damage the rate of return on investment.

The budget was building on the success of the economic measures (mainly public spending cuts) announced last December. Since then there had been a striking restoration of financial stability. The monetary aggregates (the money stock) were under tight control. Interest rates had fallen, and sterling had stabilised.

The government intended to stick firmly to its announced public spending plans. Measures to relieve unemployment would be accommodated within these plans.

public borrowing

For 1976-77, the Public-Sector Borrowing Requirement (PSBR) was now estimated at only £8.8 billion, compared with the £11.2 billion forecast last December. Domestic credit expansion in 1976-77 was now expected to be only half the £11 billion ceiling agreed with the International Monetary Fund.

Looking ahead from now to the first half of 1978, the Chancellor said he expected output to grow by about 1½ per cent and manufacturing output by about 2 per cent. Manufacturing investment should increase by some 15 to 20 per cent. Living standards, which had recently fallen sharply, should at least stabilise at something close to their present level. "We are now through the worst," he said.

The PSBR for 1977-78 could be some £8.5 billion—within the ceiling of £8 billion agreed with IMF. Domestic credit expansion in 1977-78 should be safe within the £7.7 billion previously forecast while the growth in the sterling component of the money stock, broadly defined, would again be in the 9 to 13 per cent range.

Mr Jaya Prakash Narayan

wishes that elections to state assemblies should be held as early as possible so that we have new representatives who are in tune with the new union government". I respectfully suggest that Mr Jaya Prakash Narayan should give himself a holiday from politics and also give a chance to his much-taxed body to rest and recuperate? I urge this course on a particularly because there is some danger that his pronouncements on public affairs may automatically attract the reverence due to divine injunctions merely because it is he who makes them. The Father of the Nation to whom the Lok Sabha is now being compared frequently and, in his practical wisdom, set in these matters an example which "JP" would do well to emulate. For most of the time Gandhiji allowed the Nehru government to run the business of the state according to its lights. He did offer advice or otherwise intervene occasionally, but he had to learn more often than not that he should have left well alone and it was to his credit that he did so quickly. Back-seat driving is bad enough, but it would be fatal, indeed, if the man in the driver's seat is required to keep his eye on some writing on the sky. Astral messages could be a grave traffic hazard.

Take, for instance, JP's ideas on state assemblies. Their implication is that he wants Janata party governments in the states as early as possible. If such governments come to be set up in the normal course, we will have to accept them as the workings of the democratic process. But, in a federal polity, there is no great virtue in the same political party being in power at the centre and in the states. On the contrary such monopolising of political authority or responsibility could unduly

strengthen the central political apparatus of the party in power and, in due course, impart to it a monolithic character undesirable from any point of view. After all this was what happened to the Congress, engendering in its leaders delusions of grandeur. Just as the evolution of a healthy two-party system is essential to the proper functioning of a parliamentary democracy, a certain diversity is desirable in the sharing of power by political parties in the anatomy of a federal political system.

In any case, there is little to be said in favour of artificially terminating state governments where they continue to command majority support in state legislatures simply for the purpose of installing new governments in tune with the Janata set-up at the centre. The country needs to settle down after the recent general election and the central government itself ought to give the highest priority to urgent tasks of administration. It is the case of the Janata leaders themselves that the economic situation is a difficult one and that grave problems of stability and orderly growth clamour for immediate attention. Holding elections in the states so that uniformity may be brought about in the political complexions of governments at the state and the central levels is a luxury which the public may easily dispense with. An election should, however, be held as early as possible in Tamil Nadu which is under president's rule.

In their quest for political sustenance, politicians, evidently, are not averse to a little necrophilism. Mrs Gandhi, it may be recalled, turned her party's condolence meeting for Kamaraj into a political occasion by alleging that the dead leader was about to throw in his lot with the Congress. We now have

Mr Raj Narain telling all and sundry that Fakhruddin Ali Ahmed was against the promulgation of emergency. If this was so, what prevented Ahmed from preserving his innocence by the simple act of resigning from office? Again, if Ahmed was so scrupulous as all that, he could at least have exercised his constitutional right and indeed his constitutional obligation to insist on the proclamation coming to him for his signature with the authority of the Council of Ministers. The Home minister informed Lok Sabha the other day that the proclamation of emergency was placed before the Council of Ministers only *ex-post facto*. If this was the sequence of events, Ahmed clearly violated his oath of office and was therefore guilty of an impeachable offence. Assuming that Mr Charan Singh's facts are facts, this was easily the darkest episode of the emergency. Mr Raj Narain must show some awareness of these grave aspects of the case before he seeks to make political capital out of the alleged scruples of a president unwilling to do wrong but unable to do right either.

Given the qualitative

change in the complexion of the government at the centre following the general election and the political context in which that change took place, heads of our diplomatic missions might have set up a healthy convention by tendering their resignations, leaving it to the new government to propose retaining such of them as it may find suitable. This gesture on the part of our ambassadors and high commissioners was particularly called for because they and their establishments had been shamelessly used by the previous government in New Delhi to present a false picture of the emergency and its working to governments and peoples abroad. Had they made this gesture, some of them might have spared themselves painful embarrassment; for instance, Mr B.K. Nehru. As for Mr T.N. Kaul, he is past praying for. His defence, at its best, can only be that since ambassadors are admittedly sent out to lie for their respective countries, he lied for Indira since Indira, he had been told, was India.



MOVING FINGER

TRADE WINDS

State Trading Corporation

DURING THE financial year ending March 31, 1977, the State Trading Corporation (STC) recorded an all time high exports turnover in the non-canalised items. From Rs 64 crores in the previous year the non-canalised exports went up to Rs 156 crores registering a spurt of 144 per cent over the previous year. In this category, the range of items exported were: processed foods, finished leather, fashion goods, industrial alcohol, plywood, chilled meat and live sheep and several other new items such as aluminium ingots to the USA and wood charcoal to Iraq.

Announcing the provisional financial results for 1976-77 recently, the chairman revealed that the year 1976-77 witnessed a set-back in the prices of a number of commodities in the major world markets. Despite this decline in value, the corporation exceeded the turnover target by 22 per cent i.e. against the budgeted Rs 793 crores, it achieved a turnover of Rs 966 crores. There has been a further increase in the overall turnover of STC Group comprising STC and its subsidiaries—Projects and Equipments Corporation of India Ltd; Cashew Corporation of India Ltd; States Chemicals & Pharmaceuticals Corporation; Handicrafts and Handloom Export Corporation and also the Central Cottage Industries Corporation. From Rs 1096 crores in 1975-76, the turn-

over now stands at Rs 1174 crores.

Last year, sugar was the single largest item of export from India and in STC's turnover it occupied a lion's share. Sugar exports during the year were, however, reduced to protect domestic requirements. Excluding sugar, however, STC's exports rose by Rs 217 crores this year i.e. Rs 509 crores as compared with Rs 292 crores in 1975-76, registering a spectacular growth of 74 per cent. Main items of exports this year other than sugar, were: leatherware, silver, coffee, cement, castor oil, textiles and tobacco.

Search for New Markets

A number of new export items, such as: barley, wood, charcoal, fishmeal, fireworks, energy meters, public address system, billiard tables, were introduced in several markets of the world. STC also penetrated in a number of new markets, such as: Sudan for flying overalls; Hungary for pineapple products; the USSR and Algeria for sports goods, Iraq for wood charcoal; Indonesia for aluminium ingots, Kuwait for mango juice and the USA for fireworks and sparklers.

Import sales at Rs 299 crores showed a marked increase over last year's turnover of Rs 160 crores (excluding Rs 57 crores pertaining to Chemicals and Pharmaceuticals Corporation). The major increase was in respect of different edible oils imported for the vanaspati

industry. Large scale purchases made judiciously with prompt arrangements for movement and storage played an important role in meeting the demand of this dispersed industry and helped in stabilising internal prices.

The chairman also mentioned that during the year, the corporation enlarged the price support operation in respect of seedlac and rubber in order to stabilise domestic prices and to provide the growers a fair return. The chairman announced that an Export Stabilisation Fund was being created so as to assist important and permanent exports in lean years. A further sum of Rs 3 crores is being transferred to the Export Development Fund. A customer relation service has been started at some offices of the STC.

Cash Aid for Jute Exports

The government has taken a final decision on the quantum of cash compensatory support for the export of jute goods during 1977-78. While the newly developed lighter variety of cotton bagging will get cash assistance of 20 per cent, the incentive in the case of wool pack will be 15 per cent. So far as old cotton bagging, hessian and carpet backing are concerned, it has been decided to maintain the present levels of cash aid on their exports for one more year. The current rate for old cotton bagging is 25 per cent and for the other two jute specialities it is 10 per cent.

It is felt that 20 per cent cash assistance on new cotton bagging will improve its competitive position in world markets. The US is understood to have shown a keen interest in buying this newly-developed lighter variety and has placed

orders for trial shipments. The grant of 15 per cent cash compensatory support to wool pack is expected to increase exports, particularly to Australia, which has already placed a sizable order for the purchase of 5,000 bales or 250,000 packs. It is expected that Australia may place further orders for wool packs after the present order is executed.

Projects & Equipment Corporation

An increase of 50 per cent export earnings for 1977-78 has been planned by the Projects and Equipment Corporation. The target has been fixed at Rs 60 crore against Rs 40 crore in the current financial year. Although the current year's performance is lower than the target of Rs 48 crore, it still represents a significant growth rate of 40 per cent over the previous year when exports had amounted to Rs 28.6 crore. Releasing provisional working results for 1976-77 recently, Mr M.M. Luther, chairman of PEC, stated that while exports had risen substantially, imports had declined steeply from Rs 1 crore to Rs 1.75 crore. Thus the total turnover in the current financial year was likely to be of the order of Rs 42 crore against Rs 39.6 crore in 1975-76.

An important feature of the PEC's performance this year is the sharp increase in exports of non-canalised items. Earnings from these items have gone up to Rs 31 crore from Rs 16.6 crore in the previous year. On the other hand, exports of canalised items have declined to Rs 9.4 crore from Rs 12 crore in 1975-76. Another significant point is that exports to general currency areas have risen considerably. As a result, free foreign exchange earnings this year are

to be as much as Rs 28 crore against Rs 14.8 crore in previous year.

Luther stated that it would not be difficult to meet the next year's target of Rs 60 crore because the Corporation has at present orders on hand worth Rs 30 crore. In view of the emphasis on project exports and on finding new markets, sufficient export orders would be obtained during the course of the year to attain the target. Earnings from project exports, which have risen to Rs 11 crore in the current year from Rs 3.5 crore in 1975-76, are expected to increase further to about Rs 16 crore in the next financial year. Coming to the financial results, there has been a sharp increase in profit before tax, which is expected to be of the order of Rs 2 crores compared with Rs 1.2 crores in 1975-76. Profit after tax at Rs 80 lakhs shows an increase of over 100 per cent—in the previous year it was placed at Rs 36.6 lakhs. Total costs have been brought down to Rs 73 lakhs from Rs 94.6 lakhs in the previous year through strict financial management.

Garment Quota for EEC

The European Economic Community has unilaterally imposed a quota on imports of ready-made garments from India, mainly on shirts and blouses. The abrupt step by the EEC will adversely affect Indian exports. India has strongly objected to it and has called-off negotiations that are underway for the last several months on the subject. The EEC quota is effective for six weeks from March 19 and it has informed India that the step has been taken pending further consultations. India has made it clear that

no fresh consultations could be held unless the EEC ended its unilateral move and restored the status quo ante.

What is disturbing is that the quota will be applicable irrespective of the fact whether shirts and blouses are mill-made or handlooms. Even in regard to mill-made variety, the quota was applicable previously only in respect of Britain. The EEC has evolved its own formula for the quota.

According to indications available the quota has been fixed on the basis of 1975 exports and exports during the first half of 1976 plus some percentage more as the additional quota. It is understood that EEC has decided that if there is no agreed solution with India on the subject the quota will be enforced for a year.

World Bank Loan for Gujarat Project

The World Bank and its affiliate, the International Development Association (IDA), are providing US dollars 18 million for a project designed to increase fisheries production in Gujarat state. IDA is extending a credit of US dollars four million and the World Bank a loan of US dollars 14 million on "Third Window" terms. This country is one of the most protein-deficient areas in the world. Consequently the country is placing increasing emphasis on the development of fisheries. Apart from supplementing local diets, fishery development is also important for exports. India is presently the world's largest exporter of shrimps, which in 1975 contributed US dollars 140 million in foreign exchange. The project being assisted by the World Bank and IDA is a part of

effort to increase fisheries production.

The US dollars 38 million project comprises harbour improvement works and shore facilities serving the ports of Mangrol and Veraval, the development of infrastructure for eight fishing villages situated between Mangrol and Veraval and credit for investment in motorised fishing vessels and canoes. At full development, the project is expected to help increase fisheries production by about 44,600 tonnes a year (including 3,700 tonnes of shrimps) valued at US dollars 8.1 million. The Bank's "Third Window" loan of US dollars 14 million will carry interest at 4.5 per cent per annum. An additional four

per cent will be paid to the Bank by the Interest Subsidy Fund, representing the difference between the Bank's current interest rate of 8.5 per cent and the charge to India. The IDA credit is for 50 years, including 10 years of grace. It is interest free, except for a service charge of 3/4 of one per cent to cover IDA's administrative costs.

Import Policy Delayed

Announcement of the import policy for 1977-78 is being delayed. The precise date will be notified later. According to an official release, parties may submit their applications for import licences for the next financial year commencing on April 1, 1977, only after the

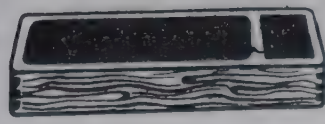
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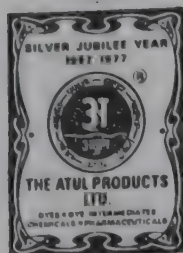






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THE GIANT CHEMICAL COMPLEX

THE STORY OF ATUL

The Company

The Atul Products Ltd. was incorporated in 1947 with Shri Kasturbhai Lalbhai as the Chairman of the Board of Directors. The Company started manufacture in March 1952.

The Product Mix

Dyestuffs are the mainstream of Atul's manufacturing programme. The range includes a very wide choice in Acid Dyes, Azoic Dyes, Direct Dyes (Azo), Azo Disperse Dyes, Mordant Dyes, Food Dyes, Solvent and Sulphur Dyes. Atul also makes Fluorescent Brightening Agents for Cotton, Paper and Nylon.

Atul's Azoic Dyes, Tula-thols, Tulabases and Tulagenes are in great demand for their versatility and colour fastness; Sulphur Black is the largest single consumed dye in the country.

Atul also makes a wide range of bulk drugs like Quiniodochlor, Sulfa Drugs and Vitamin K analogues besides Halazon N.F., and Saccharine.



Sheth Kasturbhai Lalbhai
(Chairman)

Atul's own operations consume a large proportion of the Dye Intermediates manufactured. Some of the Intermediates like BON and Gamma Acid are also exported.

The twin objectives of diversification and full utilisation of resources are served through the manufacture of a wide range of downstream chemicals, pharmaceutical intermediates and weedicides. The complete integration of the manufacturing programmes at the complex is one of the highlights of Atul's development over the last 25 years. The Company today is virtually self-sufficient in most of its requirements of basic raw materials. The commencement of manufacture of Beta Naphthol and Michler's Ketone have been significant steps in this direction.

Plans are afoot for expansion of the Caustic Chlorine plant; increase in production of Vitamin K and Disperse Dyes as well as the introduction of a new pigment range.

Marketing and Technical Services

Atul's products are marketed on an all-India basis. The Company has an extensive network of Indenting Agents backed up by technical sales representatives. Apart from fully staffed quality control and R & D Laboratories, there are also field service Laboratories at Madras, Ahmedabad and Calcutta.

The Work Site

Atul is not just a giant chemical complex; it is a giant self-sufficient township spanning some 4.36 kms in the Valsad district of Gujarat.

The township is ideally located within easy access to the Western Railway on the West and the National Highway on the East. From the river Par on the South, the township receives an abundant water supply.

Almost all the 2,700 employees live within the township. Some 1,150 residential quarters are beautifully loca-

ted amidst more than one lac trees which were planted by the Company to obviate the slightest possibility of pollution hazards and preserve the natural environment of the township.

Atul has its own facilities such as Banks, Post & Telegraph office, Police Station and Temples. There are bus connections to the towns of Valsad and Pardi.



Shri B. K. Mazumdar
The guiding light of Atul's every activity till he retired in 1973.

Welfare

Welfare is an integrated part of Atul's operations. The staff has free housing and water, subsidised electricity and a Consumer Co-operative Society.

There is a 4,000 seat open-air theatre for weekly films and dramas. There are facilities for Badminton, Tennis, Cricket and Billiards; Clubs for women and children; Cultural and Science clubs



Shri S. K. Lalbhai
(Managing Director)

and other leisure time activities.

The Atul panchayat provides a community T.V. facility, libraries, reading rooms and sanitary services. The school (Kalyani Shala) has 1,625 students with one teacher for every 30 students. There is a

round-the-clock fire fighting service.

Every Atul employee gets a free 6 monthly check-up. The medical centre has 3 full-time doctors and a part-time lady doctor. Atul has also donated substantial sums for Charitable, Educational and Health projects around the area.

Corporate Growth

Atul commenced with a capital base of Rs. one crore in 1947. The Company's position according to the 1976 Balance Sheet shows a Paid-up Capital of Rs. 4.92 crores. Its Reserves stand at Rs. 9.75 crores and the Gross Block at Rs. 23.4 crores.

In the initial stage the Government of India was kind enough to grant a low interest loan of Rs. 3 crores. This together with financial support from Unit Trust, State Bank, United Commercial Bank and ICICI, has helped the company continue its long march of growth and achievements.

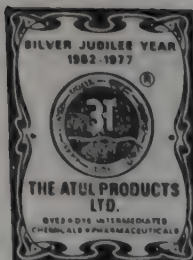
Under the stewardship of the Chairman, Sheth Shri Kasturbhai Lalbhai and the able management by the two Managing Directors, Shri Siddharthbhai K. Lalbhai and Shri Chinubhai Chimanbhai, Atul is poised for a continued growth.



Shri Chinubhai Chimanbhai
(Managing Director)

But the pace of this growth has always been continuously integrated with the national priorities of self-sufficiency, exports, import substitution, employment, capital formation and employee welfare.

It is all part of the story of Atul.



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ACHIEVEMENT IS A JOINT ENDEAVOUR

The pre-eminence which Atul enjoys today is in no small measure due to the co-operation of its world renowned collaborators—American Cyanamid Co., U.S.A., Imperial Chemical Industries Ltd., U.K., and Ciba Geigy Ltd., Switzerland.

CYANAMID

CYANAMID (INDIA) LTD.

The Company started operations in 1953 with the manufacture of its 'Lederle' range of pharmaceutical products followed by manufacture of Tetracyclines. Since 1962 Cyanamid has been manufacturing the very wide spectrum insecticide 'Malathion'. In 1968-69 the Company

introduced the revolutionary systemic insecticide 'THIMET 10-G'

Cyanamid has also pioneered several research based animal and food products. The Company's Research & Development efforts have obtained recognition from the Department of Science & Technology, New Delhi.

Several expansion projects are planned for the future.



ATIC INDUSTRIES LTD.

Atic manufactures world famous Vat Dyes which are in great demand for textile and handloom industries. In 1969 Atic introduced its complete range of Procion dyes. 'Dispersol' dyes and

Dye Intermediates are also part of Atic's manufacture. Atic has a steady record in Exports.

The Company will shortly undertake the expansion of its Reactive Dyes range.



CIBATUL (INDIA) LTD.

This is a joint venture with Ciba Geigy Ltd. The Company manufactures Urea Formaldehyde Resins, Epoxy Resins, Sulfa Drugs Intermediates and Pyrazol Base.

In 1975 the Department of Science and Technology of the Government of India accorded recognition to the Company's Research & Development Laboratories.

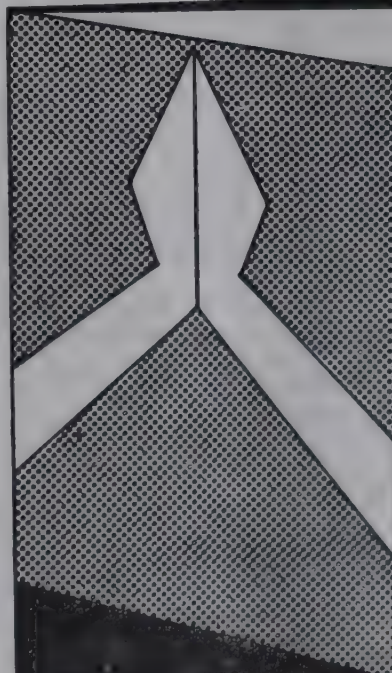
MEETING THE EXPORT CHALLENGE

Atul is a regular exporter of Dye Intermediates to sophisticated international markets like U.S.A., Japan and U.K.

The Company has thrice bagged Chemexcil's export awards for Dyes and Intermediates.

In 1974 Atul also bagged the ICMA award.

For 1977, Atul plans to reach an all time high of Rs. 4 crores in exports.



Atul thanks its collaborators, clients, indenting agents as well as its suppliers and the financial institutions, notably the ICICI, Unit Trust and State Bank of India for their co-operation and encouragement.

Our association in the past 25 years has been a happy one. We hope that the coming years will be happier still.



THE ATUL PRODUCTS LTD.
P. O. Atul, Valsad.

ADROIT — 1076

announcement of the new policy.

State Budgets

Madhya Pradesh

The Madhya Pradesh Finance minister, Mr S.S.N. Mushran, presented in the Vidhan Sabha budget estimates for 1977-78 and a vote on account for demands totalling Rs 421.91 crore relating to expenditure for the first four months ending July this year. Budget estimates for 1977-78 show total receipts of Rs 1,388.63 crore and total expenditure of Rs 1,398.54 crore, leaving a deficit of Rs 9.91 crore. With excess expenditure under the state's 1976-77 plan (about Rs 33 crore more than the original Rs 275.27 crore) the budgetary deficit rose from the uncovered deficit closing balance of Rs 20 crore to Rs 53 crore which was being contained at the level of Rs 37.23 crore.

Punjab

A tax-free budget for the year 1977-78, presented recently to the Punjab Assembly by Finance minister Mr Hans Raj Sharma, contains a massive deficit of Rs 28.42 crores which was left uncovered "for the present." The overall budget showed revenue receipts of Rs 846.25 crore and an expenditure of Rs 868.67 crore making a closing negative balance of Rs 22.42 crore. It is expected to further go up to Rs 28.42 crore when the annual impact of the grant of two additional DA instalments to the government servants was felt.

The Finance minister indicated the government's intention to spend another Rs 18 crore to Rs 20 crore on providing "relief" to small and marginal farmers, economically weaker sections, harijans and backward classes as also to "rationalise" the pay structure

of the government servants by merging the pre-1973 dearness allowance and dearness pay to provide additional relief in the basic grades the details of which are currently being worked out.

Mr Sharma assured that the deficit would not be allowed to go up further and if necessary the Plan allocation itself would be cut by five per cent, to meet the requirements of these sections of the society. Explaining the deficit, the Finance minister stated that the revised estimates for 1975-76 were expected to close with a debit balance of Rs 3.93 crore but the actual accounts show a debit balance of Rs 36.65 crore. The amount of deficit was caused by the imperatives of the social welfare, he added. The Finance minister hoped that the deficit would be offset largely by the additional financial assistance from New Delhi and by mobilising resources through the financial institutions whose operation in Punjab had gone up substantially.

Rajasthan

The budget proposals for 1977-78 have brought in a fresh dose of taxation amounting to three crore rupees in Rajasthan. Despite this the year would end with a deficit of Rs 33.51 crore. Mr Chandan Mal Baid, Finance minister, presenting the budget and asking for a vote on account for the first six months of the year, observed that the gap would be covered by better recovery of taxes, loans and dues, more collection under small savings, additional central assistance and economy in non-essential spending. Revenue receipts in 1977-78 are estimated at Rs 451.19 crore and expenditure at Rs 442.84 crore giving a surplus

of Rs 8.35 crore. The capital account has, however, a deficit of Rs 32.57 crore, receipts and disbursement being Rs 133.36 crore and Rs 165.93 crore respectively.

Giving details of his taxation proposals, he announced withdrawal of sales tax on sale of khandsari sugar, wool top made of tax paid raw wool and central sales tax on scooter made in Rajasthan (up to 31st March 1978). He also announced reduction in sales tax on radios and transistors to seven per cent from 12 per cent, one per cent relief on sale of gems, precious stones and pearls within the state bringing down to three per cent and 1.25 per cent reduction in inter-state sales.

Exemption of sales tax has been withdrawn on handloom silk articles. They will now be subjected to three per cent. Silk bandhej saris will also be now taxed at three per cent against the present 10 per cent. Sales tax on country liquor has been raised to 25 per cent from 20 per cent. Oilcake will also be subjected to one per cent tax. Sales tax on water melon seeds and tumba seeds will be charged at four per cent. Turnover limit has been raised from Rs 30,000 to Rs 50,000.

Other proposals include excise duty up on Indian-made foreign liquor from Rs 18.50 per LP litre to Rs 15 and Rs 22 per LP litre on beer from 80 paise to Rs 2 per litre, renewal fee for IMFL shops from Rs 2,000 to Rs 5,000 per shop per annum.

Tamil Nadu

The Finance minister, Mr H.M. Patel, presented to the Lok Sabha recently the budgets for 1977-78 for the states of Tamil Nadu, Nagaland and the Union Territory of Pondicherry. Seeking a vote-

on-account for five months for the two states and the union territory, Mr Patel disclosed a deficit of Rs 13.9 crores for 1977-78 in the case of Tamil Nadu. The current financial year will close with a negative balance of Rs 2.98 crores. The major factor which had led to the increase in the revenue deficit is the expenditure on drought relief and flood relief. The Finance minister stated that the states next year's negative cash balance of Rs 13.92 crores would be eliminated through a variety of measures including economies, better collection of taxes.

Pondicherry

In the revenue account of the union territory of Pondicherry, receipts for 1977-78 are estimated at Rs 13.90 crores and expenditure at Rs 20.05 crores leading to a deficit of Rs 6.15 crores which will be met by grants-in-aid from the centre. On capital account, the estimates reveal a deficit of Rs 4.38 crores which will be met by obtaining loans from the centre.

Nagaland

The Nagaland budget for 1977-78 reveals an overall surplus of Rs 3.46 crores. The revenue receipts of the state are expected at Rs 57.99 crores and expenditure, on revenue account, at Rs 49.31 crores resulting in a revenue surplus of Rs 8.68 crores. Part of this however gets off-set by a deficit of Rs 5.22 crores on capital account.

Manipur

Manipur Finance minister Rajkumar Ranbir Singh presented on March 25 to the state assembly a Rs 79.85 crore budget for 1977-78, showing an overall deficit of Rs 10.4

e. Of the total budget proposals, Rs 32.92 crore are capital account and 45.93 crore on revenue account. Central assistance is Rs 48.08 crore, out of which Rs 45.73 crore are in the form of grants and Rs 2.35 crore in loans. Closing deficit for 1976-77 has been calculated at Rs 6.12 crore.

Names in the News

Mr N.K. Mukarji, secretary of the ministry of Civil Aviation and Tourism, has been appointed cabinet secretary. He took over from Mr B.D. Jindal on April 1. Mr Mukarji is the home secretary of the Government of India and was shifted to the ministry of Tourism and Civil Aviation after proclamation of the emergency.

Mr V. Shankar, ICS (retired), being appointed secretary to the home minister, Mr Morarji Deasai. He will take the place of Mr P.N. Dhar, who is going back to academic life.

Mr Gian Prakash, who has been secretary of ministry of Health and Family Planning, has been appointed secretary of Defence in place of Mr R. Kohli who has taken over as the Lt. Governor of Delhi.

Mr T.C.A. Srinivasavaradan took over as secretary of the ministry of Home Affairs from S.L. Khurana.

Mr Santosh Kumar Roy, chairman of the Jute Corporation of India, has resigned.

Mr Vinod Parekh, chairman of STC has resigned. Mr P.K. Gul, additional secretary, ministry of Commerce, took over the charge from Mr Parekh.

Mr A.S. Gill, Chief Controller of Imports and Exports has taken over as chairman of MTC from Mr C.R. Das, who has been asked to proceed on leave.

The chairmen of three nationalised banks have retired. They are: Mr R.A. Gulmohamed of Dena Bank, Mr S.D. Verma of Allahabad Bank and Mr Laxminarayan of Indian Bank. The senior-most general managers in the respective banks have taken charge.

Mr R.L. Steinmetz has been appointed as managing director, Firestone Tyre & Rubber Company of India Private Ltd, Bombay, with effect from April 1, 1977. He succeeds Mr G.T. Warner, who is returning to the United States. Mr Steinmetz has held previous

managerial positions with Firestone in Japan, Philippines, Australia and New Zealand. Mr Gurdip Singh, until recently sales manager—Trade, Firestone-India, has been promoted as general sales manager, with effect from April 1, 1977.

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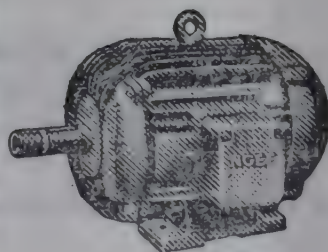
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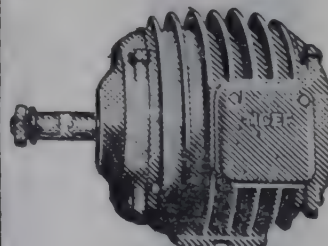
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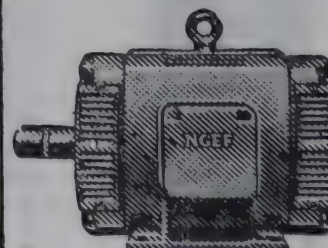
TEFC Motor



Loom Motor



Vertical Hollow Shaft Motor



Screen Protected Motor

COMPANY AFFAIRS

Indian Aluminium

INDIAN Aluminium Company Ltd has received a letter of intent for setting up a 33,000 tonnes per annum caustic soda/chlorine plant at Talaja, in West Bengal. Apart from this, negotiations are taking place for the export of alumina to Iran on a long-term basis. If these negotiations are successful, additional alumina capacity of 140,000 tonnes per annum would need to be installed at Belgaum. The total cost of these two projects is estimated at Rs 60 crores.

Construction in respect of a new project at Belgaum for the manufacture of pre-baked carbon blocks, used in lining smelter pots is in progress. The project is expected to be completed by the end of this year. No decision has yet been taken by the government on the company's applications, pending since 1972, for the installation of an extrusion press at Talaja and for an increase in the capacity of its sheet mill at Talaja and foil plant at Kalwa.

Research Centres

The two research centres at Belgaum and Talaja are in the construction stages. While the Belgaum research centre will conduct studies on bauxite and alumina technologies and carbon material, the Talaja centre will deal with the application and development of lubricants and rolling oils.

For the rest of its research activities, the company continues

to lay emphasis on energy and fuel conservation schemes, reclamation of valuable products from old smelter pots and waste materials like aluminium dross and recovery of by-products such as vanadium and gallium from alumina plant liquors. Considerable work has already been carried out on new grades of alumina and development of rolling oils which has led to import substitution. In these efforts, the company continues to receive the active support and assistance of its principal shareholder, Alcan Aluminium Limited, Canada.

Mahindra Electricals

The directors of Mahindra Electricals have proposed to issue bonus shares in the ratio of one share for every three shares held. They have, however, recommended a lower dividend of seven per cent for 1976 as against 12 per cent paid for 1975. But the directors have proposed to pay the withheld dividend of five per cent in respect of 1973.

The company has earned a lower gross profit of Rs 30.21 lakhs for 1976 against Rs 35.46 lakhs for 1975. Its gross sales have also declined to Rs 1.6 crores from Rs 1.7 crores due to lower sales realisation, exports however advanced to Rs 45.02 lakh from Rs 33.96 lakhs.

The fall in the profitability is attributed to larger exports at somewhat lower prices as well as lower price realisation for sales in the home market. The company's net profit

amounts to Rs 11.81 lakhs as compared to Rs 13.90 lakhs in 1975. The net profit for 1976 has been arrived at after providing Rs 2.29 lakhs for depreciation, Rs 10,000 for investment allowance reserve and Rs 16 lakhs for taxation. In 1975 a sum of Rs 2.56 lakhs was appropriated to depreciation reserve and Rs 19.00 lakhs for taxation while no provision has been made for investment allowance reserve.

The company has received a letter of intent for the manufacture of 2000 km of XLPEPVC power cables. The company proposes to finance the project from internal sources and borrowings.

Asian Cables

Asian Cables Corporation declared a final equity dividend of four per cent for 1976. This together with the six per cent interim dividend, makes a total of 10 per cent as against six per cent paid for 1975. Sales have risen from Rs 6.73 crores in 1975 to Rs 7.44 crores in 1976, but the gross profit has come down from Rs 106.11 lakhs to Rs 81 lakhs. After providing Rs 13.78 lakhs for depreciation and Rs 39.60 lakhs for taxation, there is a surplus of Rs 27.62 lakhs. In 1975 a sum of Rs 13.80 lakhs was provided for depreciation and Rs 55.60 lakhs for taxation, leaving a surplus of Rs 37.31 lakhs. The proposed dividend will absorb Rs 20.18 lakhs.

The company has successfully negotiated term loans for its cross-linked polyethylene project with the financial institutions. The cost of the project exceeds Rs 3 crores. Rajasthan Containers Ltd, in which the company has an investment of Rs 25 lakhs, has decided not to proceed with the implementation of its glass

bottle project at Jaipur. Steps are being taken to wind up the said company.

Mahindra and Mahindra Ltd

The board of directors of Mahindra and Mahindra Ltd (M&M) and International Tractor Company of India Limited (ITCI) have approved a scheme of amalgamation of ITCI with M&M. This scheme will be effective from a date not later than October 1, 1977 or such other date as may be agreed upon by the directors of M&M and ITCI subject to the necessary approvals. In accordance with the terms of the proposed amalgamation, all properties, duties, rights, assets and liabilities of ITCI will be transferred to M&M. M&M will issue ordinary shares of Rs 10 each credited as fully paid, to the holders of equity shares of the paid value of Rs 10 each of the ITCI, in the ratio of two ordinary shares of M&M for every three equity shares of ITCI. In addition, M&M will issue 74,700 (9.3 per cent) redeemable cumulative preference shares of Rs 100 each to the holders of preference shares of ITCI in the proportion of one (9.3 per cent) preference share of M&M for every preference share held in ITCI. The said 74,700 redeemable cumulative preference shares shall confer the right to a fixed cumulative preferential dividend at the rate of 9.3 per cent per annum, subject to deduction of tax at source at the prescribed rates. These preference shares will be redeemable between April 1, 1982 and March 31, 1985.

With the amalgamation of ITCI with M&M it would be possible for M&M to utilise its surplus capacity to meet the increasing demand for tractors in the next few years

both in the domestic and foreign markets. The proposed merger would not only provide economies of size, to the extent possible through which the country could compete with manufacturers abroad, but also bring about a pooling of human resources for undertaking effective exports, research and development. Further, the technologies being similar and the products of both companies being complementary, following the amalgamation the availability of a common marketing and service organisation on all-India basis should strengthen them considerably. The proposed amalgamation will, be not only in the interest of both companies, viz. ITCI and M&M, their shareholders and consumers at large, but also in the national interest.

Allwyn

Allwyn has planned to manufacture watches as a part of its diversification programme. The manufacturing programme is set in three phases, viz. (a) manufacture of watch cases initially by establishing the manufacturing facilities; (b) assembly of watches at Penunkonda in collaboration with HMT; and (c) establishing watch manufacturing facilities in Allwyn in phased programme.

Allwyn has entered into an agreement for manufacture of one million watch cases per annum. Out of this, HMT will buy five lakh pieces. The balance five lakh pieces will be exported, earning foreign exchange through HMT International. The project cost for one million watch cases per year is estimated to be Rs 150 lakhs. Out of this Rs 150 lakhs, state government has consented to invest Rs 25 lakhs by way of additional equity capital in

Allwyn. Out of this an amount of Rs 9 lakhs has already been received. The balance will be raised from financial institutions and internal resources. The initial production is expected to commence by the end of the year.

Some of the salient points of Allwyn technical collaboration with HMT are: (a) The complete technical know-how of manufacture will be given by HMT; (b) Allwyn shall supply the watch cases to HMT and it is expected that the target of five lakh pieces will be achieved in a period of two years; (c) The excess production over one million watch cases will be marketed by Allwyn.

HMT had offered to the state government for setting up an assembly unit for 2.5 lakh watches and marketing the watches in their own (HMT's) brand name. To facilitate manufacture of watches, HMT will be supplying parts.

Agreement with HMT

The state government has allotted the project to Allwyn in view of expertise available. An agreement has already been signed between Allwyn and HMT recently.

The salient features for assembly of watches are as follows:

(a) All the parts required for assembly of the watches will be provided by HMT; (b) The watches assembled will be marketed by HMT under their brand name; (c) The agreement is for a period of three years to be renewed thereafter; (d) The rated production of 2.5 lakh pieces is scheduled to be reached within two years; (e) In due course, production is likely to be stepped up to five lakh pieces per annum.

The project cost is estimated to be around Rs 30 lakhs.

State government has agreed to extend financial support of Rs 20 lakhs by way of equity.

In the third phase of planning, Allwyn plan to produce watches indigenously with the technology and expertise developed as a result of watch case making and watch assembly for HMT. The project is estimated to cost about Rs 9 crores.

Allwyn have plans for the establishment of watch parts manufacturing in their works and to assemble watches in their own brand name of "ALLWYN". To facilitate this, Allwyn has planned to import watch movements from some of the renowned manufacturers in Switzerland. Allwyns are likely to market their own watches by the first quarter of the 1978.

The types of watches manufactured will be (a) Hand wound mechanical; (b) Automatic day and date; and (c) Electronic display watches.

In view of advancement of watch technology, Allwyn have also plans to make high precision quartz and alarm clocks and time pieces, in collaboration with foreign companies.

Dharamsi Morarji

The Dharamsi Morarji Chemical Co, has reported highly encouraging working results for 1976. Sales have gone up from Rs 18.34 crores in 1975 to a record level of Rs 21.81 crores in 1976, and the gross profit from Rs 3.60 crores to Rs 4.46 crores. Equity dividend has been maintained at Rs 8 per share of Rs 50 each, but is payable on an enlarged capital resulting from the four-for-five bonus issue.

The company has received industrial licences for manufacturing annually 8,000 tonnes

of sodium aluminate, 4,500 tonnes of hydrate of alumina, 750 tonnes of benzene sulphonyl chloride, 300 tonnes of thiophenol and 1,650 tonnes of alpha naphthol and/or beta naphthol. These projects will be set up at Roha in Maharashtra and will form part of the total development envisaged there.

News and Notes

Shah Construction Co has orders worth Rs 15.85 crores on hand, which includes a contract valued at Rs 7 crores awarded by Iraqi Ports Administration. The work has already commenced. **Builders International (India)**, a consortium comprising Shah Construction, Hindustan Construction Co, Patel Engineering and Uttam Singh Dugal and Co has been awarded a contract for construction of a wholesale market valued at Rs 7 crores by Doha Municipality, Doha (Qatar).

Melcast India hopes to start trial production at its plant at Durgapur sometime in July 1977, if everything goes according to schedule. The response to the company's public issue made in December 1976 was not encouraging and the company had to rely upon its underwriters for taking up the unsubscribed portion of the issue.

Gujarat State Fertilisers Company has announced that the entire dividend of 22 per cent for 1976 declared earlier will be tax-free in the hands of shareholders. The company has received a provisional certificate to that effect from the tax authorities.

New Issues

A new paper project is being set up near Tumsar in Bhadrapur district of Maharashtra for the manufacture of wrapping, packing, white printing and manifold paper. The project

has been undertaken by a Paper Mills, promoted by Janta Paper and General Products Pvt Ltd, which has been in the paper industry for over 14 years.

The capacity of the plant will be 40 tonnes of various grades of paper per day. The installed capacity will be 10 tonnes of wrapping and printing paper, 3,600 tonnes of white printing paper and 10 tonnes of manifold paper per annum.

The main raw materials to be used in the plant will be rice and wheat straw, hessian and cotton rags. In addition to some captive pulp so manufactured, the balance pulp required will be made from waste paper and a small quantity of bamboo pulp. Plenty of rice straw is available in the area of the pulp plant. Hessian, waste and old gunny bags will be procured from the Cuttack region, while cotton rags and cotton waste will be collected from the Bombay region.

The total capital outlay is estimated at Rs 3.65 crores, which will be met by share capital Rs 1.25 crores, term loans Rs 2.35 crores and privately placed debentures of Rs 5 lakhs. The company proposes to issue shortly 7.50 lakh equity shares of Rs 10 each.

Capital and Bonus Issues

Consent has been granted to twelve companies to raise capital of nearly Rs 135.74 million. The following are the details:

Mahendra Oilcake Industries Private Ltd, has been accorded consent, valid for six months, to capitalise Rs 750,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for three equity shares held.

Acme Manufacturing Company Ltd, Bombay, having a paid up capital of Rs 3,340,000 has been granted consent valid for a period of 18 months, for issue of equity shares worth Rs 4,140,000 and preference shares worth Rs 2,760,000 to the existing shareholders of Khandelwal Udyog Ltd, in terms of and in accordance with the scheme of amalgamation approved by the High Court at Bombay.

Cadbury-fry (India) Private Limited, having a paid up capital of Rs 1,296,100 has been accorded consent to issue further capital of Rs 23,545,820 in 2,354,582 equity shares of Rs 10 each and Rs 13,609,050 as bonus shares to existing shareholders in the proportion of 10.5 bonus shares for each fully paid equity share held by capitalising a like amount out of the general reserve and Rs 9,936,770 (after the company has converted itself into a public limited one) for cash to the Indian nationals at a premium of Rs 1 per share of Rs 10 out of which shares worth Rs 1,436,770 will be issued to the directors, friends, employees and the balance of Rs 85 lakhs to the general public by a prospectus.

The Wesman Engineering Co. Pvt Ltd, has been accorded consent, valid for six months, to capitalise a sum of Rs 477,800 out of its general reserve and issue 4,778 fully paid equity shares of Rs 100 each as bonus shares in the ratio of 1:2.

Swadeshi Polytex Ltd, a public company having a paid-up capital of Rs 44 million has been accorded consent to issue further capital of Rs 6 million in equity shares of Rs 10 each credited as fully paid up at par to the financial institutions on conversions of a portion of

their loans-debentures sanctioned to the company.

Dura-Tax Laboratories Pvt Ltd, has been accorded consent valid for six months to capitalise Rs 300,000 out of its general reserve and issue fully paid equity shares of Rs 3,000 each as bonus shares in the ratio of three bonus shares for five fully paid equity shares held.

Ferro Alloys Corporation Ltd, Tumsar (Maharashtra) has been accorded consent, valid for six months to capitalise Rs 11,969,500 out of its general reserve/preference shares capital redemption reserve and share premium account and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio 1:1.

Kunal Engineering Co Ltd, Madras, has been accorded consent, valid for 18 months, for the issue of equity shares of Rs 3 million for cash at par on right basis in the ratio of 1:1.

Kirioskar Electric Co Ltd, Bangalore, has been accorded consent, valid for six months,

to capitalise Rs 11,146,420 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 1:2.

Essar Bulk Carriers Ltd, Madras has been accorded consent, valid for six months, to capitalise Rs 3,343,700 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one for one.

Greaves Cotton and Company Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 14,175,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of 2:1.

Scindia Steam Navigation Co Ltd, has been accorded consent, valid for six months, to capitalise Rs 54,131,040 out of its general reserve/capital reserve and issue fully paid equity shares of Rs 20 each as bonus shares in the ratio of 2:1.

Dividend

(per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Bharat Fertiliser	Oct. 31, 1976	6.0	Nil
Curewel (India)	Dec. 31, 1976	15.0*	Nil
Asian Cables Corporation	Dec. 31, 1976	10.0	6.0
Asian Paints	Dec. 31, 1976	25.0**	15.0
Ceat Tyres of India	Dec. 31, 1976	18.0	16.0
Walchandnagar Industries	Sept. 30, 1976	15.0	12.0
Excel Industries	Sept. 30, 1976	18.0	16.0
Goodlas Nerolac Paints	Dec. 31, 1976	25.0	20.0
Same Dividend			
Gujarat Machinery Manufacturers	Sept. 30, 1976	12.0	12.0
Ion Exchange (India)	Dec. 31, 1976	20.0	20.0
Reduced Dividend			
Sandvik Asia	Dec. 31, 1976	20.0**	22.0

*Maiden dividend **On the enlarged capital

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under the Industrial (Development and Regulation) Act, 1951 during the month of February 1977. The list contains the names and addresses of the licensees, articles of manufacture, type of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Madras Forgings & Allied Industries (CBE) Ltd, Mettupalayam Road, Karamadai-641104, Coimbatore Distt. Tamil Nadu (Coimbatore—Tamil Nadu)—S.G. Iron Castings—600 tonnes—(N.A.)

M/s Aravali Forgings Ltd, 3, New Colony Road, Jaipur-302001 (Alwar-Rajasthan)—Close Die Steel Forgings—3,000 tonnes—(NU)

M/s Lakshmi Precision Screws Ltd, Hissar Road, Rohtak (Haryana) (Rohtak-Haryana)—Precision Machine Screws—1,000 tonnes (after expansion)—(SE)

M/s Steel & Allied Products Ltd, 2/1, Hosain Shah Road, Calcutta-700023 (Calcutta-West Bengal)—Bright M.S. Wire as captive requirement for the manufacture of Wood Screws—250 tonnes—(COB)

M/s Fit Tight Nuts and Bolts Ltd, Old Ashram, Andheri Kurla Road, Andheri, Bombay-400093 (Bombay-Maharashtra, Dharampur-Gujarat)—Gold drawing wire rods in the form of Coils at Bombay, Gold drawing bars in straight lengths at Bombay, Gold drawing wire rods/wires at Dharampur—Total capacity 5000 tonnes—(COB)

M/s R.R. Steels & Alloys Ltd, P.O. Clutterbuckganj, Bareilly (UP) (Bareilly-UP)—Ingots of the following grades of Mild Steel; Electrode quality carbon steels; Forging quality carbon steels; Cold heading quality carbon steels; Hardening and Tempering quality carbon steels; Carbon, Carbon Manganese & Silico Manganese qualities of spring steels; Carbon Tools Steels; Case Hardening quality carbon steels; Free cutting quality carbon sulphur steels—Total capacity 7,000 tonnes—(COB)

Metallurgical Industries (Non-Ferrous)

M/s The Indian Smelting & Refining Co Ltd, L.B. Shastri Marg, Bhandup, Bombay-400078 (Bombay-Maharashtra)—Nickel Silver Strips and Coils—200 tonnes within the overall licensed capacity for continuous strip castings—(NA)

Shri B.K. Burman, 6, Tiljala Road, Calcutta-700046 (Kalyani-West Bengal)—Nickel Silver Strips—200 tonnes—(NU)

Electrical Equipment

M/s Wandleside National Conductors Ltd, Industrial

Estate, Lal Baug, Bombay-400012 (Poona-Maharashtra)
Tefflon Wires—2,500 kms—(NA)

M/s National Capacitors Ltd, "Vicoajee Villa" 3-6-Himayat Nagar, Hyderabad-500029 (Medak-Andhra Pradesh)
Tantalum Capacitors—2.00 million Nos—(NU)

M/s Solid State Devices India Ltd, 8-2-629, Road No Banjara Hills, Hyderabad-500034 (Pattancheruvu—Andhra Pradesh)—Semiconductor Devices—10 million Nos—(NU)

M/s National Radio & Electronics Co Ltd, Unity House 8, Mama Parmanand Marg, Bombay-400004 (Maharashtra)
Digital Telemetering and Telecontrol Systems—40 Nos—(NA)

M/s Brite International Cassettes (P) Etd, C/o M/s Briggs Bros Ltd, 156, A.J. Dadajee Road, Bombay-400034 (SEEP, Bombay-Maharashtra)—Cassettes/Cassettes tapes—6 million Nos (NU)

M/s Gramophone Co of India Ltd, 33, Jessore Road, Dum Dum, Calcutta-700028 (Calcutta-West Bengal)—Pre-recorded Cassettes and Cartridges—1.2 million Nos—(NA)

M/s PVC Wires & Cables Ltd, 49/1, Gariahat Road, Calcutta-700019 (Calcutta-West Bengal)—AAC/ACSR Conductors—75 tonnes—(COB)

Transportation

M/s Sundram Fasteners Ltd, 37, Mount Road, Madurai-600006 (Chingleput-Tamil Nadu)—Automotive Gold Form Extruded Parts—2,000 tonnes. Other Miscellaneous Cast Formed/Extruded Parts—400 tonnes—(NA)

Industrial Machinery

M/s National Machinery Manufacturers Ltd, Mafat Centre, Nariman Point, Bombay-400021 (Maharashtra)
Open end Spinning Machines—180 Nos—(NA)

M/s Indequip Engineering Ltd, Reid Road, Railwaypura (Ahmedabad-880002. (Ahmedabad-Gujarat)—Worsted Frames 120 Nos. Speed Frames—36 Nos. Combers—24 Nos. High Speed Draw Frames—36 Nos—(NA)

M/s Suessen Textile Bearings Ltd, National Highway No 1 Post O.N.G.G, Baroda-390009 (Baroda-Gujarat)—Top Arms and Apron guiding Devices for Ring Frames—3,00,000 sets (existing)—9,00,000 sets (after expansion). Top Rollers for Ring Frames—12,10,000 Nos (existing)—30,00,000 Nos (after expansion). Spindle Inserts—6,00,000 Nos (existing)—15,00,000 Nos (after expansion)—Jockey Pulleys—1,20,000 Nos (existing)—3,00,000 Nos 3, (after expansion). Bottom Roller Bearings—1,20,000 Nos (existing)—4,80,000 Nos (after expansion)—(SE)

M/s New Central Jute Mills Co Ltd, 11, Clive Road, Calcutta-1 (24-Parganas—West Bengal)—Spinning Frames—120 Nos (after expansion). Drawing Frame—72 Nos (after expansion). Warp Winding Machine—12 Nos (after expansion). Including spare parts and accessories for the above three items—(SE)

M/s Andhra Sugars Ltd, Venkatarayapuram, Tanuku (A

Godavari-Andhra Pradesh)—Sugar Factory Boiling Equipment—1,000 tonnes—(NA)

s K.S.B. Pumps Ltd, Thakur Nivas, 173. J. Tata Rd, ay-400020, (Poona—Maharashtra)—Mercury Pumps. ontal Chemical Pumps of Silicon C.I. Submerged Motor al Non-clogging Pumps. Horizontal Stuff Pumps. Stand- ed Horizontal Chemical Pumps of Plastic Material. Horse-power Submersible Pumps. Vertical Glandless ical Pumps with flanged on canned Motor—Total capa- 100 Nos—(SE)

s Kirloskar Pneumatic Co Ltd, Hadapsar Industrial e, Poona-411013 (Poona-Maharashtra)—Gas compressors 200 cmf upto 25 atmosphere pressure—20 Nos. Air ressors upto 1000 cfm upto 28 atmosphere pressure—20 —(NA)

s Andrew Yule & Co Ltd, 'Yule House', 8, Clive Row, tta-700001 (Kalyani-WB)—Cyclones. Celluars. Scrubbers. Filters. Electrostatic Precipitators. Pneumatic Convey- systems. Classifiers for material sorting. Paper machine s. Spray Booths. Cooling Towers. Fume Extraction. lation system including Marine. Components and allied sories for above.—Total capacity 100 sets—(NA)

M/s Union Bearing Manufacturing Co, 511, Prasad Cham- Fifth Floor, Tata Road No 2, Bombay-400004. (Porbander rat)—(In Nos—After expansion) Ball Bearing—3 lakhs. ar Bearings (Needle Roller, Cylindrical Roller and Barrel —4 lakhs. Tapered Rollar Bearings—2 lakhs—(SE)

Machine Tools

M/s Escorts Transmissions Ltd, 18/4, Mathura Road, dabad (Haryana) (Gurgaon-Haryana)—Hydraulic distribu- Control Valves—15,000 Nos. Hydraulic Pumps—3,000 Nos. raulic Cylinders—3000 Nos—(NA)

Industrial Instruments

M/s Vanaz Engineering (Private) Ltd, 396, Veer Savarker rg, Bombay-400025 (Poona-Maharashtra)—Emergency Vent 0,000 Nos. Pressure Vacuum Valves—50,000 Nos—(NA)

Chemicals (Other than Fertilisers)

M/s Amar Dye-Chem Ltd, Rang Udyan. Sitladevi Temple ad, Post Box No, 6471, Mahim, Bombay-16 (Maharashtra)— anuric Chloride—250 tonnes—(NA)

M/s Indo-Burma Petroleum Co Ltd, (Chemical Division), ndustan Times House, Kasturba Gandhi Marg, New Delhi- 0001 (Bilaspur, Hoshangabad & Jabalpur—Madhya Pradesh) ndustrial Explosives—4 units to be set up at different places h with a capacity of 5,000 tonnes—(NA)

M/s Hingorani Air Products Private Ltd, I.K. Shah Build- g, Jalwayx Compound, Fateh Ganj, Baroda-2 (Panchmahal- arat)—Oxygen—1.00 mcm—(NU)

M/s Gujarat State Fertilizers Co Ltd, P.O. Fertilizernagar, stt Baroda (Gujarat) (Baroda-Gujarat)—Argon—2.8 mcm quid Methane—5,200 tonnes—(NA)

M/s Polychem Ltd, 7, Jamshedji Tata Road, Churchgate Reclamation, Bombay-20 BR (Koyali-Gujarat)—Acrylonitrile Butadiene Styrene (ABS) Resins—2,000 tonnes—(NA)

Shri M.L. Bhartia, 3-A, Shakespeare Sarani, Calcutta-700016 (Ranchi-Bihar)—Vinyl Acetate Monomer—5,000 tonnes—(NU)

Shri M. Soundara Rajan, Polyman Industries, H-2, Ind- Estate, Drode-2 (Tamil Nadu) (Dhamapuri-Tamil Nadu)— LDPE and Polypropylene foam sheets/blocks—750 MT (NU)

M/s Baroda Rayon Corporation Ltd, Hoechst House, 193, Backbay Reclamation, Nariman Point, Bombay-400021 (Surat-Gujarat)—Anhydrous Sodium Sulphate (by-product in the manufacture of rayon filament yarn)—2200 tonnes—(COB)

M/s Asian Paints (India) Ltd, 'Nirmal' 5th floor, Nariman Point, PB No. 1946, Bombay-400001 (Maharashtra)—Vinyl Pyridine Latex—300 tonnes—(NA)

M/s K.L. Plasfabrics Ltd, 112, Chittaranjan Avenue, Calcutta-700007 (Kalyani-West Bengal)—Polyethylene Packing Cloth and Bags and Carpet Backing Cloth—90,00,000 meters or 60 lakh bags—(NU)

M/s Emcete & Sons Pvt Ltd, 30, Coral Merchant Street, Madras-600001 (Ankleshwar-Gujarat)—Biaxially Oriented Poly- propylene Films—8000 tonnes—(NU)

Photographic Raw Film and Paper

M/s Bothra Electronics Private Ltd, 12-Bhagat Singh Marg, New Delhi-110001 (Delhi)—Metallized Plastic Films Papers—15 tonnes—(NU)

Drugs and Pharmaceuticals

M/s German Remedies Ltd, Shiv Sagar Estate, Dr Annie Besant Rd, Worli, Bombay-400018 (Bombay-Maharashtra)— Bulk Drugs : Hydroxy Progesterone Carporate—3 kgs. Bisa- codyl BP—126 Kgs. Hydroxy Ethyl Theophyline—3828 Kgs. Drug Formulations: Tablets & Dragges—1335 lakh Nos. Am- poules—53 lakh Nos. Liquids—98,000 litres. Suppositories—5 lakh Nos. Ointment-7360 Kgs—(COB)

M/s Glaxo Laboratories (India) Ltd, Dr Annie Besant Road, Worli, Bombay-400025 (Bombay-Maharashtra)— Meclozine Hydrochloride—400 kgs—(NA)

M/s Indian Drugs and Pharmaceuticals Ltd, N-13, South Extn. I, New Delhi-110049 (Hyderabad—AP)—Ethambutol Formulations (from imported bulk drugs)—25 million tablets— (NA)

M/s Suneeta Laboratories Ltd, 502, Arun Chambers, J. Dadajee Road, Bombay-400034, (Indore—MP)—Probenacid—12 tonnes—(NA)

M/s Ranbaxy Laboratories Ltd, Okhla, New Delhi-110020 (Mohali-Punjab & Okhla-Delhi)—Phenobarbitone (Bulk Drug) and Formulations: Spasmol Tablets phenobarbitone Tablets: 15 mg, 30 mg, 60 mg—20 tonnes—(NA)

M/s Ranbaxy Laboratories Ltd, Okhla, New Delhi-110020 (Mohali-Punjab & Okhla-Delhi)—Chloroquin Phosphate—*48

tonnes Ethoxy Methylene Malonic Ester—*75 tonnes Cephalixin—*10 tonnes (*Formulations based on these to the extent of 70 per cent of the production) Formulations: Chromolyn Sodium Capsules: Plain—135 lakhs, Compound—70 lakhs, Ibuprofen Tablets—110 lakhs Digestive Enzyme Tablets—132 lakhs, Amoebidy: Tablets—each contains: Broxyquinoline—200 mg, Brobenzoxaladine—40 mg—66 lakhs Forte Capsules—each contains: Broxyquinoline—500 mg, Brobenzoxaladine—100 mg, —230 lakhs Suspension—each 5 ml contains: Broxyquinoline—200 mg, Brobenzoxaladine—40 mg—1 lakh bottles of 85 ml Amoebidys Q Capsules—each contains: Broxyquinoline—500 mg, Brobenzoxaladine—100 mg and Chloroquin Phosphate—150 mg—30 lakhs—(NA)

M/s Smith, Stanistreet & Co Ltd, Authorised Controller, M/s Indian Drugs & Pharmaceuticals Ltd, N-12, NDSEI New Delhi-110049 (Calcutta-WB)—A. Capsules: Oxytetracycline IP 250 mg—10.00 million nos, Tetracycline IP 250 mg—3.00 million nos, Chloramphenicol IP 250 mg—4.00 million nos, Chloramphenicol IP 125 mg—4.00 million nos Ampicillin NF I-II 250 mg—4.00 million nos, Doxycycline BP 100 mg—4.00 million nos, Cloxacillin BP 250 mg—5.00 million nos, Streptomycin with Chloramphenicol 125 mg each—6.00 million nos, B. Tablets: Tetracycline 500 mg—1.00 million nos, Lactoflora (Lactobacillus-100 mill spores)—50.00 million nos, Polyvitamin, therapeutic NF I-II—30.00 million nos, Vitamin B Complex with Vitamin C and Folic Acid Therapeutic NF I-II—30.00 million nos, Analgin USSR—50.00 million nos, Erythromycin Steara'e USP 250 mg—5.00 million nos, Tobutamide Tablets IP 500 mg—7.00 million nos, Griseofulvin—USP 125 mg—7.00 million nos, C. Oral Suspensions: Tetracycline Suspension 125 mg per 5 ml litres—10,000 litres, Tetracycline Drops 100 mg per ml—5 ml Litres—1,000 litres, Chloramphenicol Ester Syrup 10 mg per 5 ml litres—5,000 litres, D. Injectables: Erythrolate IM 50 mg per ml (Erythromycin) Propionate Intra-muscular 2 ml Ampoules—1.20 million nos, Analgin Intramuscular 2 ml ampoules—3.00 million nos, Analgin Intramuscular 30 ml Vials—1.00 million nos, Oxytetracycline Intramuscular 50 mg per ml—2 ml ampoules—2.00 million nos, Oxytetracycline Intramuscular 50 mg per ml—10ml Vial—1.00 million nos, E. Ointments & Creams: Oxytetracycline Ophthalmic Ointment 10 mgs per gm 3.5 gm Tube—10,000 kgs, Nitrofurazone Ointment 0.2%—40,000 kgs—(NA)

Textiles

M/s Bharat Carpets Ltd, 28-B, Connaught Place, New Delhi-110001 (Gurgaon-Haryana)—Cotton Tufted Goods—2,40,000 sq metres (existing)—3,60,000 sq metres (after expansion).

Paper, Pulp and Paper Products

M/s Shree Vindhya Paper Mills Ltd, Empire House, 3rd Floor, Dr D.N. Road, Fort, Bombay-400001 (Aurangabad-Maharashtra)—Glassine, Greaseproof paper, Condenser Tissue Cigarette Tissue—5,000 tonnes, Base Paper such as Maplitho, Bond, Writing and Printing Paper—5,000 tonnes—(NU)

Shri Inder Singh Gill and his Nominees, United Pulp &

Paper Mills, 15/23, West Patel Nagar, New Delhi-110015 (Hoshiarpur-Punjab)—Pulp—15,000 tonnes, Cultural Paper—7,500 tonnes, Kraft Paper—7,500 tonnes—(NU)

Sugar

M/s Batala Co-operative Sugar Mills Ltd, Batala, Distt Gurdaspur (Punjab) (Gurdaspur-Punjab)—Sugar—1,000 tonnes (additional)—2,000 tonnes (after expansion) In terms of cane crushing capacity—(SE)

M/s Doaba Cooperative Sugar Mills Ltd, Nawanshahar, Distt Jullundur (Pb) (Jullundur-Punjab)—Sugar—1,000 tonnes (additional)—2,000 tonnes, (after expansion). In terms of daily cane crushing capacity—(SE)

M/s Morinda Cooperative Sugar Mills Ltd, Morinda, Distt Ropar (Punjab) (Ropar-Punjab)—Sugar—1,000 tonnes, (additional)—2,000 tonnes (after expansion), In terms of daily cane crushing capacity—(SE)

Fermentation Industries

M/s Central Distillery Chemical Works Ltd, 20, N. Subhash Marg, Delhi-6 (Meerut-UP)—Indian Made Foreign Liquors and Country Liquor—2762 bulk kilolitres—(COB)

M/s The Simbhaoli Industries Pvt Ltd, PO Simbhaoli, Distt Meerut (UP) (Meerut-UP)—Indian Made Foreign Liquor and Country Liquor—1178 bulk kilolitres—(COB)

M/s Rampur Distillery & Chemical Co Ltd, Rampur, Distt Rampur (UP)—Indian Made Foreign Liquors and Country Liquor—766 bulk kilolitres—(COB)

M/s Shree Satpuda Tepi Parisar Sahakari Sakhar Karkhana Ltd, Loakheda-Dongargaon, Tal Shahada Distt Dhulia (Maharashtra) (Dhulia-Maharashtra)—Country Liquor—1100 kilolitres (on provisional basis)—(COB)

M/s Himachal Pradesh Mineral & Industrial Development Corporation Ltd, Himrus, Near Himland, Circular Road, Simla-171001 (Una-Himachal Pradesh)—Country Liquor—766 bulk kilolitres (on provisional basis)—(COB)

M/s Government Distillery, Chitali, Tal Shrirampur, Distt Ahmednagar (Ahmednagar-Maharashtra)—Country Liquor—1725 bulk kilolitres—(COB)

M/s Tilaknagar Distilleries & Industries Ltd, Industrial Assurance Building, Churchgate, Bombay-400020 (Ahmednagar-Maharashtra)—India Made Foreign Liquors and Country Liquor—3907 bulk kilolitres—(COB)

M/s Nirayu Pvt Ltd, Main Road, Near Rly Station, Whitefield, Dist Bangalore (Bangalore-Karnataka)—India Made Foreign Liquor—225 bulk kilolitres—(COB)

Food Processing Industries

M/s Sarabhai M. Chemicals, (Division of S.M. Chemicals Electronic Ltd), Gorwa Road, (Baroda-Gujarat)—Sorbitol—2,500 tonnes—(NA)

Rubber Goods

Tega India Ltd, P/46A, Radhabazar Lane, a-700001 (Kalyani Nadia-West Bengal)—Specialised Resistant Rubber Components and Specialised Moulded Resistant Products—1500 tonnes—(NU)

Leather, Leather Goods and Pickers

s Hyderabad Tanneries, 3-6-150, Himayatnagar, Hydera-
Hyderabad-AP)—Finished Leather (from goat and sheep
only)—3,00,000 nos, Finished Leather (from raw hides)—
00 nos—(SE)

s Bihar State Leather Industries Development Corp Ltd,
ik Bhawan, Opp A.N. College, Boring Road, Patna-800013
ah, West Champaran-Bihar)—Finished Chrome Upper
er—36 lakh sq ft—(NU)

har State Leather Industries Development Corporation
Abhohik Bhawan, Opp A.N. College, Boring Road,
-800012 (Muzaffarpur-Bihar)—Finished Leather—6 lakh
(NU)

Glass

s Haryana Sheet Glass Ltd, 69, Deshbandhu Gupta Rd,
Delhi-110055 (Sonapat-Haryana)—Sheet Glass—2.25 mil-
q metres (on 2 mm basis)—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

I/s Bridge & Roof Co (India) Ltd, 427/1, Grand Trunk
Howrah-1 (Howrah-West Bengal)—Special Pipe Fittings—
tonnes—(NA)

I/s Allied Steels Ltd, 1-A, Alipur Avenue, Calcutta-700027
ur-Madhya Pradesh)—Steel Castings—4,000 tonnes (within
icensed capacity of 50,000 tonnes of Steel Ingots allowed
r License No CLL:37/73 dated 20.12.73)—(NA)

Electrical Equipment

I/s Simco Meters Ltd, PB No 46, Meter Factory Road,
chirapalli-620020 (Tiruchirapalli-Tamil Nadu)—High Energy
eries (Silver Oxide Zinc)—800 nos—(NA)

hri NK Jhunjhunwala, Vijay Mahal, 12, Walkeshwar Road,
bay-400006 (Delhi)—Electronic Digital Watches—1,50,000
—(NU)

Miscellaneous Industries

hri Surendra Singh, 57, Golf Link, New Delhi (Thana-
arashtra)—Heat Shrinkable Low Density Polythene Film/
s etc—1,000 tonnes—(NU)

M/s EID Parry Ltd, Dare House, PB No 12, Madras-600001
galore-Karnataka)—Special types of sophisticated tools for
tic, rubber, electronic and allied industries—50 tonnes
(NA)

M/s Godrej & Boyce Mfg Co Pvt Ltd, Godrej Bhavan, Home
et, Bombay-400001 (Maharashtra)—Forged Hand Tools—
0 tonnes—(NA)

Shri O.P. Mundhra, 18-B, Brabourne Road, Calcutta-700001
andshahr-UP)—Wide Width LDPE Films (width of 3
res & above)—3,000 tonnes—(NU)

Shri Anil Ved, C/o M/s Kaj Industries, Road No 4, Udhna
Udyognagar, Udhna RS (WR) Dist Surat (Gujarat) (Bharunch-
Gujarat)—Wide Width LDPE (Low Density Polyethylene
films) Width of 3 metres and above)—2,100 tonnes—(NU)

M/s Karnataka State Industrial Investment & Development
Corp Ltd, Harinivas, 36, Cunningham Road, Bangalore-52
(Backward area-Karnataka)—Wide Width LDPE Films (of
width 3 metres & above)—3,000 tonnes—(NU)

Industrial Instruments

M/s Universal Electrics Limited, 9/1, R.N. Mukherji Road,
Calcutta-700001 (24-Parganas-West Bengal)—Measured Conver-
tors (for converting various parametres like current, voltage,
VAR phasetangle watt, frequency to DS Voltage)—3,000 nos
Maximum demand indicator—2,000 nos Trivector meter—750
nos, Recording meter—1,500 nos, Summation meter—500 nos,
Fault locators—1,000 nos—(NA)

Chemicals (Other than Fertilisers)

Shri Balraj Gill & Shekhar Mehra, R-526, New Rajinder
Ngr, New Delhi-110005 (Bhopal-Madhya Pradesh)—Sulphuric
Acid—16,500 tonnes. Chlorosulphonic Acid—6,600 tonnes.
Sodium Sulphate—2,800 tonnes. Aluminium Sulphate—6,600
tonnes—(NU)

M/s Rapticut Tools Private Ltd, T-144, MIDC Estate, Bhosari,
Pune-411026 (Panchmahal-Gujarat)—Tungsten and Tungsten
Carbide Products—15 tonnes. Hydrogen Gas—60,000 cubic
meters (for captive use)—(NU)

M/s Gujarat Aromatics Ltd, 4th Floor, Nataraj Chambers,
Ashram Road, Ahmedabad-380009 (Bharuch Gujarat)—Synthe-
tic Cresols—5,000 tonnes—(annual capacity after expansion,
additional capacity being 2000 tonnes). By-products : Sodium
Sulphate—7,350 tonnes—(annual capacity after expansion,
additional capacity being 1550 tonnes)—Gypsum (dry basis)
—5,900 tonnes—(annual capacity after expansion, additional
capacity being 5900 tonnes)—Soda Ash—1,310 tonnes—
(annual capacity after expansion, additional capacity being
1310 tonnes). Sodium Sulphate—1,160 tonnes—(annual capa-
city after expansion, additional capacity being 1160 tonnes)—
(SE/NA)

M/s Colour-Chem Ltd, Ravindra Annexe, Dinshaw Vachha
Road, 194, Churchgate Reclamation, Bombay-400020 (Thana-
Maharashtra)—Aluminium Chloride Anhydrous—1,000 tonnes
—(NA).

M/s Gwalior Air Products Ltd, 105, Tansen Nagar,
Gwalior-474003 (Morena-Madhya Pradesh)—Dissolved Acety-
lene Gas—0.10 million cubic metres (Addl)—0.20 million cubic
metres (after expansion)—(SE)

M/s Atul Drug House Ltd, Baldota Bhavan, 117, Maharshi
Karve Marg, Bombay-400020 (Bulsar-Gujarat)—Polyacetal
Resins—2,000 tonnes—(NA)

M/s Tamil Nadu Industrial Development Corp Ltd, 150-A,
Anna Salai, Madras-600002 (Pudukkottai-Tamil Nadu)—
Acetic Anhydride—1,000 tonnes—Acetic Acide—1,000 tonnes—
2-Ethyl Hexanol—1,500 tonnes—Acetone—900 tonnes—Mono-
chloro acetic Acid—900 tonnes—Carboxy Methyl Cellulose,
Carboxy Methyl Starch—3,000 tonnes—(NU)

APRIL 8, 1977

M/s Indian Petrochemicals Corporation Ltd, P.O. Jawaharnagar, Dist Baroda (Baroda-Gujarat)—DMT—6,000 tonnes (Addl)—30,000 tonnes (after expn). By-products : Methyl Benzoate—60 tonnes (Additional)—300 tonnes (after expn)—Dimethyl Isophthalate—40 tonnes (Additional)—200 tonnes (after expansion)—(SE)

M/s Hindustan Organic Chemicals Ltd, (A Govt of India Enterprise), P.O. Rasayani, Dist Kolaba (Maharashtra) (Kolaba-Maharashtra)—Butene-diol—1,500 tonnes—(NA).

M/s Bihar Gases (Private) Ltd, Jamal Road, Sarmera Kothi, Patna-1 (Bihar) (Santhal Parganas-Bihar)—Oxygen Gas—1.00 million cubic meters—Dissolved Acetylene Gas—0.20 million cubic meters—(NU)

M/s U.P. State Industrial Development Corporation Ltd, 117/130, Sarvodaya Ngr, Post Box No 413, Kanpur-208005 (Backward Area-UP)—Sodium Chlorate—5,000 tonnes—(NU)

M/s Rajasthan State Industrial and Mineral Development Corp Ltd, 100, Jawaharlal Nehru Marg, Jaipur (Rajasthan)—Low Density Polyethylene Wide Width Films (of width 3 metres and above)—3,000 tonnes—(NU)

Shri Sanjoy Sen, 24/1, Ballygunge Circular Road, Calcutta-700019 (Tamil Nadu)—Lacquer Emulsions—350 tonnes—Butyrate Solvent Dillutable Lacquer Emulsions—100 tonnes—Penetrator—70 tonnes—Fillers—100 tonnes—Binders—120 tonnes—Compact Finish—350 tonnes—Leveller—10 tonnes—Camotex Transparent Pigment—100 tonnes—Acrylic Emulsions—170 tonnes—Polyurethane Lacquers, Emulsions—75 tonnes. Two-component systems for uniform top coating of high trial, high quality leather—(NU)

Dyestuffs

M/s Chemiequip Pvt Ltd, 386, Green House, Green Street, Bombay-400023 (Thana-Maharashtra)—Acrylic Dyes—75 tonnes—(NA)

Drugs and Pharmaceuticals

M/s Suneeta Laboratories Private Ltd, 502, Arun Chambers, J. Dadajee Road, Bombay-400034 (Indore-Madhya Pradesh)—Probenacid—12 tonnes—(NA)

M/s Indian Drugs & Pharmaceuticals Ltd, N-12, South Extn, Part I, Ring Road, New Delhi-110049 (Hyderabad-AP)—Procaine Hydrochloride—30 tonnes—(NA)

M/s Chemical, Industrial and Pharmaceutical Laboratories Ltd, 289, Bellasis Rd, Bombay Central, Bombay-400006 (Bombay-Maharashtra)—Mesterolone Tablets. Each tablet contains Mesterolone-25 mg—1 million tablets—Mebendazole Tablets. Each tablet contains Mebendazole—100 mg—8 million tablets—Pentazocine tablets. Each tablet contains Pentazocine Hcl—25 mg—4 million tablets—Pentazocine Injections (1 ml) Each 1 ml contains Pentazocine as lactate—30 mg—2 million ampoules—Miconidazole Cream (30g tube). Each 100 g contains Miconidazole Nitrate 2 g—2.5 lakh tubes (7.5 tonnes cream)—(NA)

M/s Indian Drugs & Pharmaceuticals Ltd, N-12, SE Pt I, New Delhi-110049 (Dehra Dun-UP)—Potassium Penicillin—90 MMU (Additional)—230 MMU (after expansion)—Ampicillin Trihydrate—25 tonnes (Additional)—35 tonnes

(After expansion)—Tetracycline—175 tonnes (Additional)—200 tonnes (After expansion)—Oxy-tetracycline—49.5 tonnes (Additional)—74.5 tonnes (After expansion)—Streptomycin—45 tonnes (Additional)—136 tonnes (After expansion)—Erythromycin—26 tonnes (Additional)—36 tonnes (After expansion)—Griseofulvin—4 tonnes (Additional)—10 tonnes (After expansion)—Cephaloridine—2 tonnes (Additional)—2 tonnes (After expansion)—Empty Hard Gelatine Caps—400 million Nos (Additional)—400 million Nos (After expansion)—(SE/NA)

Paper, Pulp and Paper Products

M/s The State Industrial & Investment Corporation Maharashtra Ltd, 'Nirmal' Ist Floor, Nariman Point, Bombay-400021 (Nanded-Maharashtra)—Cellulose Pulp—6,000 tonnes. (2,100 tonnes for captive use)—Cellulose Acetate Butyrate, Cellulose Acetate, Ethyl Cellulose, Methyl Cellulose—1,500 tonnes—Cellulose Nitrate (All grades)—1,500 tonnes—(NU)

Ceramics

M/s Kerala State Industrial Enterprises Ltd, Post Box No 8 Basant Kawdiar, Trivandrum-695003 (Cannanore-Kerala)—Vitrified Tiles—2,000 tonnes—Floor Tiles—2,000 tonnes—(NU)

Shri S.N. Jagirdar, Kanpith, Surat (Broach-Gujarat)—Made Industrial diamonds—1.00 million carats—(NU).

Changes in Names (Owners or Undertaking)

(Information pertains to particular licences only)

From M/s K.G. Khosla Compressors Private Ltd to M/s K.G. Khosla Compressors Ltd.

From M/s Steel Containers Ltd to M/s Industrial Containers Ltd.

From M/s Aminchand Payare Lal, Jullunder City to M/s Apeejay Steels Pvt Ltd.

From M/s Everlite Pvt Ltd to M/s Universal Electrics Ltd

From M/s Sanghi Motors (Bombay) Pvt Ltd to M/s Sanghi Motors (Bombay) Ltd.

Licences Revoked, Surrendered or Cancelled

(Information pertains to particular licences only)

Shri Vinay Rai, 12, Aurengzeb Lane, New Delhi-110011—Electronic Desk Calculators—(Revoked)

M/s Eskay Industries, Bombay—Auto Head Light Lamp—(Revoked)

M/s B. Chowdhry & Co, Bombay—HPMV Lamp—(Revoked)

M/s Shri Ambica Mills Ltd, Kankaria, Ahmedabad-380015—Textile Machinery—(Cancelled)

M/s Venus Electrical Industries (Private) Ltd, Calcutta—Train Lighting, Pigmy, Night Colour Decoration and Canopy Lamps—(Revoked)

M/s Shail Spanners (India) and Tools Ltd, 87, Nagdev Cross Lane, Bombay-400003—Bright Bars and Shaftings—(Cancelled)

M/s Panyam Cements & Mineral Industries Ltd, Cement Nagar, Kurnool District (AP)—Portland Cement—(Revoked)

M/s Purna Investment Ltd, 46-C, Chowringhee Road, 7th Floor, Calcutta-700016—MC Ingots—(Revoked)

M/s Sai Riff Clutches Pvt Ltd, 11-B, Benham Hall Lane, Bombay-400004—Clutch Plates—(Revoked)

M/s D.G. Steels and Alloys, 5-3-667, Topkhana, Near Manganj, Hyderabad—MS Ingots of various quality—(Revoked)

M/s Alpha Steel Ltd, C/o M/s Anim Chand Bholanath, Jullundur City—MS Ingots—(Revoked)

M/s Suneeta Laboratories Ltd, 502, Arun Chambers, Madajee Road, Bombay-400034—Drugs and Pharmaceutical—(Cancelled)

Shri Anant D. Khetani, 'Keshav Kunj' Oghadchai Lane, Katkopar, Bombay-77—Chlorine Tonne Container—(Cancelled)

M/s Inchek Tyres Ltd, Calcutta—Automobile tyres and tubes—(Revoked)

M/s J.G. Vacuum Flasks Ltd, Chinchwad, Poona-411019—Vacuum Flasks and Refills—(Revoked)

M/s Bharat Foster Finch Co Pvt Ltd, 465/2, Kashimira Chavander Road, Dist Thana (Maharashtra)—Rotary Plastic Rubber Injection Moulding Machines and Moulds—(Cancelled)

M/s Stare Textile Engineering Works Ltd, Dhanraj Mahal Chhatrapati Shivaji Maharaj Marg, Bombay-400039—Multi-Point Drilling Attachments suitable for drilling machines—(Cancelled)

Letters of Intent Lapsed, Revoked or Cancelled

(Information pertains to particular letters of intent only)

M/s Bush India Ltd, PO Box 4127, Sukh Sagar, N.S. Marg, Bombay-400 007 (Maharashtra)—Signal Generators—(Lapsed)

M/s Gammon India Ltd, Civil Engineers & Contractors, Gammon House, Veer Savarkar Marg, Post Box 9129, Chhatrapati Shivaji Maharaj Marg, Bombay-400025 (Karnataka)—Methanol, Nitric Acid etc—(Surrendered)

Shri Ramesh R. Gupta, 32, Sahkar Bldg, B-Road, Churchgate, Bombay-400020 (Maharashtra)—Gaskets—(Lapsed)

M/s Cynamid India Ltd, Nyloc House, 254-D2, Dr Annie Besant Road, PO Box No 9109, Bombay-400025 (Gujarat)—Formulations Based on Cycocel Technical—(Lapsed)

M/s Haryana State Industrial Development Corporation Ltd, SCO4-5, Sector 17-A, Post Box No 27, Chandigarh-170001 (Haryana)—Fuel Injection Equipment—(Lapsed)

M/s Laxmichand Bhagaji Ltd, Ramon House, 169, Backbay Chhatrapati Shivaji Maharaj Marg, Bombay-400020 (Gujarat)—Steering Gears—(Cancelled)

M/s Mahindra & Mahindra Ltd, Gateway Building, Apollo Bunder, Bombay-BB (Maharashtra)—Vigilance Control Devices—(Lapsed)

Shri Ramesh B. Garware, Breach Ganday Apartments, Chhatrapati Shivaji Maharaj Marg, Bombay-400026 (Maharashtra)—Rayon Special Grade Pulp, Special Grade Pulp and Speciality Paper—(Lapsed)

M/s Meenaxi Wire Industries (Assam) Ltd, 14/13, Ezra

Street, Calcutta-700001 (Lapsed)—Enamelled Copper & Paper Covered Winding Wires—(Lapsed)

M/s Dicy Melamine and Resins (India) Ltd, 3, Krishna Mahal, 63, Marine Drive, 'D' Road, Bombay-400 020 (Maharashtra)—Calcium Carbide—(Lapsed)

M/s Punjab State Indl Dev Corp Ltd, SCO 54-56, Sector 17-A, PB No 81, Chandigarh-160017 (Punjab)—Electrolytic Capacitors & Plastic Film Polyester and Styroflex Capacitors—(Lapsed)

M/s Laxmi Industries, Props: Shri Laxmi Cotton Traders Pvt Ltd, 10, Homi Mody Street, 2nd Floor, Fort, Bombay (Madhya Pradesh)—Potentiometers—(Lapsed)

M/s Tube Light Starter Mfg Co, 25 Ras Behari Bose Road, Ramakrishnapur, Howrah, West Bengal (West Bengal)—Inside Silver Coated Lamps—(Lapsed)

M/s Kerala Fisheries Corp Ltd, XVI/848-B, Dharmodayam Bldgs, Shanmugham Road, Ernakulam (Kerala)—Steel Hulled Deep Sea Fishing Trawlers—(Cancelled)

Shri Harshad N. Kapadia, Ocean View Annexe, Bhulabhai Desai Road, Bombay-400026 (Maharashtra)—Can-and lining compound etc—(Lapsed)

M/s Dunlop India Ltd, Bank of Baroda Bldg, (7th Floor), 16, Parliament Street, New Delhi-110001 (West Bengal)—Rubber Ply Transmission Belting—(Lapsed)

M/s Modern Metal Moulders (Assam) Ltd, Industrial Estate, Gauhati-781021 (Assam)—Industrial Cases—(Cancelled)

Shri R.G. Poddar, 148, Hazaribagh Road, Ranchi-834001 (Bihar)—Magnetic Tapes—(Lapsed)

Shri Anil Kumar Kapoor, D-1/26, Model Town, Delhi (Haryana)—Sodium Chlorate—(Lapsed)

Shri Ramesh Kumar Biharilal Maheswari, Plot No 394, GIDC Indl Township, Shilvassa Road, Distt Bulsar, Vapi, (South Gujarat) (Madhya Pradesh)—Printing and Writing Paper, Kraft Paper and Boards (Lapsed)

Shri M. Satyanarayana, 599, Durgigudi, Shimoga-577201, Karnataka State (Karnataka)—HT/LT Power Capacitors and Medium Frequency Power Capacitors—(Cancelled)

Shri Shyam Sundar Kanoria, 16-A, Brabourne Road, Calcutta-700001 (UP)—Citric Acid from Cane Molasses—(Cancelled)

Shri M.C. Shah, 86-A, Marine Drive, Sriniketan, 1st Floor, Bombay-2 (Gujarat)—Formaldehyde, Penterithritol, Formic Acid and Hexamethylene Tetramine—(Lapsed)

M/s Om Prakash Rajgarhia, 5, Hunderford Street, Calcutta-700017 (Rajasthan) Mica paper and mica based insulating material—(Lapsed)

Shri N.K. Mukherjee, 7, Wellesley Place Calcutta-1 (West Bengal)—HT Fasteners—(Lapsed)

M/s Dicy Melamine & Resins (India) Ltd, 3, Krishna Mahal, 63, Marine Drive, 'D' Road, Bombay-400020 (Maharashtra)—Dicyandiamide—(Lapsed)

M/s Kashmir Electronics (P) Ltd, C/o M/s Kashmir Metal Mart, Hari Singh High Street, Srinagar (J&K State) (Jammu & Kashmir)—Connectors—(Revoked)

State Bank Chairman's speech

New Peaks Climbed; still bolder goals ahead

Shri T.R. Varadachary

Shri T.R. Varadachary, Chairman, State Bank of India, stated in Madras on Thursday the 31st March, 1977 that in 1976 the Bank had climbed new peaks and set itself bolder and more challenging goals and policies to be followed all along the line. He was addressing the shareholders at the Bank's twenty-second annual general meeting.

Shri Varadachary said the Central Board had decided in favour of a positive and sympathetic approach towards sick industrial units, promotion of research and development in areas relevant to banking, and a vigorous expansion programme in foreign countries. A Rs. 5-crore research and development fund had been created to refine tools and techniques so as to raise the productivity of the occupations of the rural people, at the same time improving the amenities of their living conditions.

The State Bank Chairman said it would not be inappropriate to expect the Government—a major beneficiary from various taxes from industrial establishments—to set up a national rehabilitation fund for the revival of sick units.

Shri Varadachary said:

It gives me great pleasure to welcome you to the Twenty-second Annual General Meeting of the State Bank of India. This is the first opportunity I am having of addressing the shareholders as Chairman. The Annual General Meeting is being held in Madras for the second time, the first being in 1974. Since 1970 we have been holding these meetings elsewhere than in Bombay and we have done so in Ahmedabad, Calcutta and New Delhi. The Annual Report, including the Balance Sheet as at the 31st December 1976 and the Profit and Loss Account for 1976, is already in your hands. You will find that in 1976 we climbed new peaks and made higher profits, attributable in the main to increased volume of business—both deposits and advances—with a reduction in staff costs despite a small increase in the staff strength.

Dividends

You are aware that the total dividends declared for 1974 and 1975 were Rs. 12 and Rs. 27 per share respectively as against Rs. 23 declared up to 1973. With the step-up in the total dividend for 1976 to Rs. 30 per share, the short-fall of the two previous years has been made good and the average dividend for 1974, 1975 and 1976 gets restored to Rs. 23 per share.

Capital Funds

You will recall that since 1974 we have been bringing into published reserves substantial sums from the past accumulations of inner reserves. The objective is to improve the ratio of the Bank's published capital funds to deposit liabilities. A sum of Rs. 20 crores each was so transferred in 1974 and 1975. I am happy that it has been possible to transfer a further sum of Rs. 25 crores from the inner reserves to published reserves in 1976, in addition to Rs. 6 crores from the year's profits. Taking a cumulative view, our capital and reserves have improved from Rs. 27.5 crores as at the end of 1973 to Rs. 107.5 crores. This works out to 2.3 per cent of our deposits and other liabilities and compares well with the ratios maintained by important international banks.

Overall Performance

The Bank's overall performance in 1976 kept pace with the budgeted levels in all fields of activity and was much better than in 1975. To

compare the performance of the two years, the number of offices opened was 443 as against 419; the aggregate deposits increased by over 30%, as against over 15%; advances to agriculture increased by Rs. 89 crores as against Rs. 64 crores; advances to small scale industries and small business units increased by Rs. 88 crores as against Rs. 46 crores; and lendings under the DIF Scheme increased by Rs. 11 crores as against Rs. 4 crores.

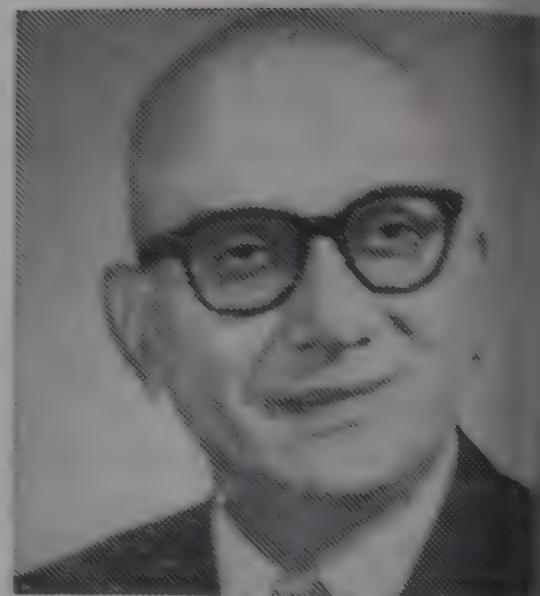
Review of Policies

In a review of the Bank's policies and goals early in August 1976, the Central Board set bolder and more challenging goals and policies to be followed all along the line. More important, the Board decided in favour of a positive and sympathetic approach towards sick units, promotion of research and development in areas relevant to banking, and a vigorous expansion programme in foreign countries.

National fund suggested to revive sick industrial units

Assisting Sick Units

All industrial units pass through phases of prosperity and adversity. We as bankers have to bear with their fluctuating fortunes. When an industrial unit is closed down for any reason, national interest demands its speedy reopening by pooling the managerial and financial resources of the various institutions/agencies including the Central Government, the State Government, the financial institutions, the bankers and the promoters. The country cannot afford the luxury of allowing industrial capacity to remain idle with resultant loss of production and employment opportunities. Furthermore, the longer the period of closure, the more difficult it becomes to revive the unit. In view of the overriding national interest, however, the closed units have to be revived, if necessary, by changing or strengthening the old management wherever the closure is



due to bad management. The financing of such units as substantial partners cannot remain only as mere 'financiers'. The banks have to play an active and leading role in reviving and re-opening the sick units. Our Bank's Central Board reviews the Bank's policy in this regard in the light of the thinking at the national level and decides to adopt a more positive, sympathetic and approach towards the sick units.

The Bank has created a special Industrial Rehabilitation Department at Central Office and similar cells at the Local Head Offices in view to giving practical shape to the new directions given by the Central Board. I am to say that a number of closed units have re-opened and this has contributed to the production and employment in the country.

We are evolving a system for monitoring financial and managerial position of industrial units so that early warning signals are detected and the impending closures are avoided by timely action. It is hoped that the installation of the early warning system will prevent occurrence of serious sickness in the industrial units and will become less frequent.

While on this subject I cannot help raising issues of relevance to the financing bank comes financing of cash losses and its impact on banks in the event of take-over unit under the Industrial (Development Regulation) Act. When a unit makes losses beyond its control, the banks stop financing and walk out. In the interim, the interests they have to participate in the operation which in several cases may last for years. In such cases the banks in effect finance cash losses. In the process, the security gets eroded and a substantial advance, which was once 'secured clean', in the event of the take-over of the unit, the banks' dues relating to the pre-take-over period are not fully taken over by the Government on the ground that the dues were adequately supported by the assets taken over. This situation is certainly prejudicial to the interests of the financing banks. It is with the concept of nursing sick units, in the sake of continued good health of the industry, it is necessary that the whole situation is given a fresh look and the banks' interests are protected.

and issue pertains to apportionment of shares of past accumulated deficit among all having a stake in the revival of the sick unit. Conceptually, all industrial units contribute to the welfare of several publics, namely the Government by way of taxes, the employees by way of emoluments and bonus, the owners by way of dividends, and the financing banker by way of interest. In the event of any unit going on evil days for reasons of general nature, it would be fair for all these interests to make sacrifices for putting the unit back on its feet. As it will be difficult for the concerned parties to get together and resolve the connected issues by themselves, there is need for a body to look into the merits of each case. It could be a special tribunal, with which the Central Bank, the financial institutions and the Government could be associated.

Government are a major beneficiary from all industrial establishments as recipients of various services. It would not be inappropriate, therefore, to expect them to set up a national rehabilitation fund for the revival of sick units.

Crore Research fund to raise rural productivity

Research and Development

The Bank has all along been responsive to its obligations as a corporate citizen in the community. Apart from our normal responsibilities as bankers, we have been actively initiating and participating in the efforts at amelioration and improvement of life in the community in which we operate. This important aspect of the Bank's corporate policy was spelt out at length from the forum last year.

As part of the Bank's policy to contribute its resources to the country's welfare beyond the narrow confines of duty as bankers, we have decided to take steps to promote research and development activities, which, though costly and time-consuming, are unavoidable for any country wanting to move production technologies. Already the Government has set up a number of institutions and agencies for this purpose. As a corporate citizen, the State Bank of India also has a share of responsibility for research and development activities in areas germane to its operations, especially in its role in rural development. Discharging this responsibility, the Bank's Central Board have directed that we should actively associate ourselves with the national research and development efforts. It is our intention to

develop close liaison with universities and other agencies to sponsor and support selected research projects. Similarly, in view of the Bank's developmental role, it is but proper that we take up specific developmental activities in areas indicated by national policies. One such area is entrepreneurship. This is essential to foster self-employment and develop backward areas and the small scale sector. Similarly, the backward classes like the scheduled castes and tribes and the handicapped persons need special attention if they are to benefit from the special lending schemes of the public sector banks. We have accordingly created a fund of Rs. 5 crores from profits for 1976. The fund will be used for research to refine tools and techniques so as to raise the productivity of occupations of the rural people at the same time improving the amenities of their living conditions.

Vigorous overseas expansion planned

Foreign Exchange Business

As is well known, the Bank derives a major portion of its income from large customers and foreign exchange business. As long as the Bank is expected to work on commercial principles, its overall profitability has to be ensured on a continuous basis. Our increasing social responsibilities in the coming years would mean a greater strain on the profitability. To maintain and improve the overall profits, the Bank has to rely to a larger extent on the two positive contributors in its portfolio.

Given the above background and the vast and emerging business opportunities abroad not adequately tapped so far, the Central Board has decided to go in for a faster expansion of our network of branches abroad. A perspective plan has been prepared for opening 44 offices at important financial centres in various time zones in the world during the next three years. Apart from the profitability angle, the Bank's expansion programme in foreign countries will subserve a number of national objectives. Our offices abroad will serve as nuclei for development of exports, provide help to Indian joint ventures overseas, recycle some of the petro-funds for use by Indian projects, and promote remittances to India by non-residents.

Nearer home, during 1976, we reorganised the set-up for foreign exchange business. The most important step was the opening of four

Overseas Branches at Bombay, Calcutta, Madras and New Delhi, manned by trained staff. The main objective is the promotion and efficient servicing of exports and inward remittances. The need of exporters, be it finance or trade information, are met under one roof. Specialised financial services required for large value turnkey projects and other joint ventures abroad are also on offer. As regards inward remittances, the endeavour is to speed up payments to the recipients. Also, the Bank's International Division at Central Office, which oversees the foreign exchange operations of the Bank, has been reorganised and strengthened. A senior executive has been entrusted with the responsibility of opening new offices abroad.

Staff

It is conventional for the Bank's Chairman to thank members of the management and the staff for their contribution to the Bank's working in this forum. The convention is not without a rationale. In all undertakings, more so in a service undertaking like the Bank, the staff, their skills, hard work and loyalty are the inner strengths of the organisation. Our staff is our biggest asset outside the Balance Sheet. We have all along depended on them for fulfilling the great tasks entrusted to our care ever since 1955. In 1976, the Bank's excellent performance would not have been possible but for the dedication, loyalty and productivity of our staff. As Chairman, it is my proud privilege to convey the Central Board's thanks to them.

We are fully aware that productivity of the staff depends largely on rational personnel policies. The Bank has taken steps to involve the staff at all levels in the improvement of customer service. It is the Bank's long standing policy to approach the subject of staff relations on the basis of a bilateral relationship with the recognised associations, and most of the problems have been resolved through mutual consultation. It is our fervent hope that we will be able to continue this enlightened relationship in future too.

Changes in the Board

I must place on record our thanks to Shri R.K. Talwar, Chairman, who relinquished office in August 1976, for his able guidance and direction during his tenure of over 8 years on the Central Board, first as Managing Director and then as Chairman. I also place on record our thanks to Shri H.T. Parekh and Shri M.G. Balasubramanian, Directors on the Central Board, who relinquished office in 1976. I welcome Shri J.M. Chudasama and Shri K.P.A. Menon who have joined the Central Board in place of Shri Parekh and Shri Balasubramanian respectively.

I welcome Shri P.C.D. Nambiar, our new Managing Director on the Central Board since September 1976.

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Finances of state governments: 1976-77

RECORDS AND STATISTICS

ONGOING improvement in the state governments are apparent in tax administration, particularly the deployment of more energetic efforts for recovery of arrears, may fit revenues to an extent perhaps not fully allowed for in the budget estimates, according to a study prepared in the Division of Fiscal Analysis of the Economic Department and published in the September 1976 issue of the Reserve Bank of India Bulletin. Clearly the more significant departure from the budget estimates would arise in the area of expenditure.

Natural Calamities

Severe floods/cyclones in some states and drought in some of a few others this year would involve sizeable relief expenditure, whereas the budget provision on this account is of a modest tenor. Though the states would receive some central assistance for such expenditures a major portion of it would have to be borne by the states themselves. The state governments' budgetary transactions in 1976-77 would, on the basis of their budgets, result, in an overall gap of Rs 38 crores. Without further economies in their non-plan expenditures and raising of new sources in addition to those budgeted, the inescapable expenditure on natural calamities might deteriorate the state governments' budgetary position further in 1976-77.

Given the improvement recorded by the economy in

1975-76 along with stability of the price level and in the context of the national climate of discipline and dedication of effort, the objective of promoting accelerated economic growth with greater social justice and without disturbing price stability pervaded the budgets of state governments for the year 1976-77. Accordingly, aggregate disbursements are budgeted at Rs 10,927 crores, representing a rise of 7.1 per cent over the revised estimate for 1975-76, while total receipts are expected to rise by 6.5 per cent to Rs 10,889 crores, thanks partly to the higher Plan assistance already indicated by the centre, and the measures undertaken by the state governments in their budgets for the year to raise additional revenues of Rs 112 crores.

Increased Deficit

As the states' receipts would be further augmented by Rs 32 crores representing their share in the centre's additional taxation for the year, the budgetary transactions of state governments would result in a deficit of Rs 38 crores, as against a surplus of Rs 22 crores in 1975-76 (revised estimates). At revised rates of taxation, the combined revenue receipts of state governments are estimated at Rs 8,401 crores in 1976-77, Rs 781 crores or 10.2 per cent higher than the revised estimate for 1975-76. Of this increase, tax revenues account for Rs 557 crores and non-tax revenues for the balance of Rs 224 crores.

Capital receipts are put at Rs 2,488 crores, Rs 113 crores or 4.3 per cent lower than in 1975-76. The states' indebtedness to commercial banks, which had risen sharply by Rs 43 crores in 1975-76 is expected to decline by Rs 103 crores.

Higher Disbursements

At Rs 10,927 crores, the state governments' aggregate disbursements are budgeted higher by Rs 728 crores in 1976-77 or 7.1 per cent as compared to the rise of Rs 1,565 crores or 18.1 per cent in 1975-76 (revised estimates). The states' developmental expenditures, including their loan assistance for developmental purposes, are budgeted to rise by Rs 532 crores. As a result of various economy measures states propose to implement, the growth of non-developmental expenditures is sought to be held down to Rs 315 crores as against an increase of Rs 398 crores in 1975-76.

A brief review of the states' finances in 1975-76 on the basis of revised estimates and the budgeted finances for 1976-77 is given below :

According to revised estimates, aggregate receipts of state governments amounted to Rs 10,221 crores in 1975-76, showing an improvement of 18.8 per cent over 1974-75, while their aggregate disbursements rose over the year by 18.1 per cent to Rs 10,199 crores. In the result revised estimates show a surplus of

Rs 22 crores for the budgetary transactions of the state governments in 1975-76 in the place of a deficit of Rs 31 crores in 1974-75 (accounts). Both receipts and the disbursements turned out to be significantly higher than anticipated in the states' budgets for the year: revised estimates put receipts 10.3 per cent higher than budget estimates and disbursements 10.2 per cent higher with the consequent doubling of the anticipated surplus of Rs 11 crores in the budgets.

Aggregate Receipts

The rise of Rs 1,618 crores in states' aggregate receipts between 1974-75 (accounts) and 1975-76 (revised estimates) reflected increases in all the major categories of receipts in the context of the recovery recorded by the economy during the latter year. The tax revenues increased by Rs 807 crores, grants from the centre by Rs 171 crores, other non-tax receipts by Rs 210 crores, loans from the centre by Rs 247 crores and other capital receipts by Rs 183 crores. The tax revenues consisting of revenues from taxes levied and collected by the states and the states' share in central taxes rose over the year by 19.6 per cent, the states' taxes contributing Rs 540 crores of the increase and the states' share in central taxes rising by Rs 267 crores.

The states introduced additional taxation with an anticipated revenue of Rs 83 crores

in their 1975-76 budgets. After the budgets, they undertook a further tax effort with an estimated yield of Rs 34 crores. This additional taxation and the full year impact of the post-budget increases in major taxes in 1974-75 together with the upturn in output were largely responsible for the growth in the revenue from states' taxes.

Major state taxes showing substantial increases in revenue over the year were sales tax inclusive of the central sales tax (Rs 345 crores), land revenue (Rs 35 crores), state excise duties (Rs 32 crores) and stamps and registration fees (Rs 24 crores). The states' revenue from central taxes shared by them with the centre increased by Rs 267 crores because of the nearly equal rise in their shares of income tax collections and collections from central excise duties.

Voluntary Disclosure

The income tax collections in 1975-76 received a boost from the Scheme for Voluntary Disclosure of Income and Wealth; improvement in output assisted by the revisions made in the 1975-76 central budget in excise taxation brought about a sizeable growth in the union excise collections. Grants from the centre, as taken credit for in the states' budgets increased over the year by 16.7 per cent to Rs 11.93 crores. Grants for central and state plan schemes and centrally sponsored schemes at Rs 572 crores were higher by Rs 111 crores or by nearly one-fourth of the preceding year: non-Plan grants of Rs 621 crores were higher by Rs 60 crores or by 10.7 per cent. The states' other non-tax receipts rose by Rs 210 crores. Receipts from

economic services accounted for 29 per cent of the non-tax receipts, the contribution of forests being more than a third of that from economic services. Interest receipts which increased by Rs 56 crores over the year contributed 14.2 per cent of the non-tax receipts.

Central Assistance

Loans received by the states from the centre as shown in the states' budgets were Rs 247 crores higher over the year largely as central loan assistance for state Plan schemes was stepped up by Rs 188 crores to Rs 707 crores, but non-Plan loans including ways and means assistance also increased by Rs 71 crores to Rs 556 crores. The sizeable rise in the centre's loans to the states represented advance Plan assistance to some states so as to ensure that important on going irrigation and power projects in their Plans were adequately financed. Following the announcement of the 20-point economic programme, financial outlays on these projects were raised and the centre provided the states additional Plan assistance of Rs 85 crores for the purpose.

The states' other capital receipts aggregated Rs 1,279 crores in 1975-76 recording a rise of Rs 183 crores over the year. The states were permitted to raise an additional amount of Rs 100 crores by way of market borrowings in 1975-76 to enable them to repay to the centre their share of centralised market borrowings of 1963-64. Adjusting for this special factor, the net market borrowings of the states at Rs 170 crores were lower by Rs 45 crores over the year. But the state governments also secured substantial recoveries of their loan assistance to third parties, which by rising by as much as Rs 107 crores or

by 37.2 per cent over the year boosted their other capital receipts.

At Rs 10,199 crores, the states' aggregate disbursements in 1975-76 would be Rs 1,565 crores higher over the year. The Plan expenditures increased from Rs 2,238 crores in 1974-75 (accounts) to Rs 2,743 crores in 1975-76 (revised estimates) or by 22.6 per cent, while non-Plan expenditures went up from Rs 6,396 crores to Rs 7,456 crores or by 16.6 per cent. Plan expenditures on 'economic services' increased over the year by 20.9 per cent to Rs 2072 crores, while the non-Plan expenditure on these services rose by 17.3 per cent to Rs 1,854 crores. On 'social and community services', the Plan expenditure amounted to Rs 631 crores or 30.4 per cent higher over the year, while the non-Plan expenditures increased by 9.7 per cent to Rs 2,377 crores. As both Plan and non-Plan expenditures have developmental as well as non-developmental components, it is worth-while alluding to the distribution of the aggregate disbursements into total developmental and non-developmental expenditures of the states.

Developmental Expenditure

Developmental expenditures including loans to third parties for developmental purposes at Rs 6,934 crores were higher by 16.7 per cent. Growth in developmental expenditure would account for nearly two-thirds of the growth over the year in aggregate disbursements. Non-developmental expenditures also increased by Rs 398 crores to Rs 2,344 crores or by 20.5 per cent. The states' direct developmental expenditures were stepped up by Rs 833 crores while their loan assistance to third parties for deve-

lopmental purposes was higher by Rs 157 crores. Such assistance was mainly concentrated on agriculture (including co-operatives) and power projects, the core sectors of the economy. In 1975-76, developmental expenditures constituted 73.7 per cent of the states' total expenditures (i.e., aggregate disbursements excluding repayments of loans to the centre as also the discharge of all other internal debt); they were roughly three times the non-developmental expenditures.

Loan Repayments

Repayments of loans to the centre and discharge of other internal debt dominate the remainder of the disbursements of the states. Loans repayments to the centre amounted to Rs 759 crores in 1975-76 inclusive of the repayment of Rs 100 crores representing the states' share of centralised market borrowings in 1963-64 for which purpose the states were, as indicated earlier, permitted to increase their market borrowings during the year. Excluding the special component just mentioned, the repayments were higher over the year by Rs 154 crores.

Given the improvement recorded by the economy in 1975-76 along with the stability of the price level, and in the context of the national climate of discipline and dedication of effort, the objective of promoting accelerated economic growth with greater social justice and without disturbing price stability informed the budgets of the state governments for 1976-77. Accordingly, aggregate disbursements of state governments are budgeted by them at Rs 10,927 crores in 1976-77, 7.1 per cent higher than the revised estimates for 1975-76. On the expectation that their aggregate receipts on

the basis of the 1975-76 rates of taxation and with higher Plan assistance already indicated by the centre would rise over the year by 5.1 per cent to Rs 10,745 crores in 1976-77, the state governments accordingly undertook measures in their budgets for the year to raise, as mentioned earlier, additional revenues of Rs 112 crores. As the states' receipts would be further augmented by Rs 32 crores representing their share in the centre's additional taxation for the year, the budgetary transactions of the state governments would result in a deficit of Rs 38 crores as against a surplus of Rs 22 crores in 1975-76 (revised estimates).

Revised Rates

At revised rates of taxation, combined revenue receipts of state governments are budgeted at Rs 8401 crores in 1976-77, Rs 781 crores or 10.2 per cent higher than the revised estimates for 1975-76. Of this increase, tax revenues account for Rs 557 crores and non-tax revenues for the balance of Rs 224 crores. Taxes directly levied and collected by the state governments, inclusive of the yield from their additional tax effort during the year, are budgeted at Rs 3,838 crores, Rs 417 crores or 12.2 per cent higher over the preceding year. At the same time, the states' share in central taxes, including the centre's additional taxation, is placed at Rs 1,635 crores, 9.4 per cent higher over the year.

Of the total budgeted increase of Rs 417 crores in the receipts from taxes levied and collected by the states, the rise of as much as Rs 376 crores is expected to accrue from taxes on commodities and services. Sales tax revenues alone are expected to go up by Rs 271 crores, showing an increase of

14.3 per cent over 1975-76. Revisions in sales tax raising additional revenues were adopted in their 1976-77 budgets by Gujarat, Karnataka, Kerala, Madhya Pradesh, Nagaland, Orissa, Rajasthan, Tripura and Uttar Pradesh; these revisions are expected to yield a revenue of Rs 41 crores.

Other major taxes which are expected to show increases in receipts are state excise duties (Rs 30 crores), vehicles tax (Rs 24 crores), and entertainment tax (Rs 16 crores). Only a tenth of the increase from excise duties would be brought about by the measures undertaken this year; the similar proportion in case of vehicles tax would be one-third and that in case of the entertainment tax one-fourth. Himachal Pradesh, Kerala and Madhya Pradesh, raised excise duties. Gujarat, Kerala, Madhya Pradesh, Tamil Nadu, Tripura and West Bengal revised upwards the vehicles tax imposts. Entertainment tax revisions were effected by Gujarat, Karnataka, Meghalaya, Orissa and Rajasthan.

Profession Tax

Gujarat, Karnataka, Kerala and Tripura introduced a profession tax, which Maharashtra introduced last year. Karnataka and Uttar Pradesh introduced a tax on urban land which already obtained in Tamil Nadu and Rajasthan. Karnataka and Tamil Nadu would also raise this year more resources from the agricultural sector; Karnataka extended the agricultural income tax to cover all crops, while Tamil Nadu introduced commercial crop assessment for all land under commercial crops. Gujarat stepped up electricity duties to raise the yield by Rs 4.5 crores. Though their item-wise yield estimates have

not been provided, Jammu and Kashmir revised rates of sales tax, land revenue, irrigation and power charges and toll tax.

Although some states have in recent years widened their tax base by introducing new taxes like agricultural holdings tax, the urban land tax, tax on multi-storey buildings and professions tax, and other moved in the direction of tapping increased agricultural incomes, the pattern of tax revenues of the state governments has not materially changed over the past few years.

Sales Tax

Sales tax still continues to be the largest single source of revenue for almost all the states. With increasing exploitation of this source of revenue, its share in the states' own tax receipts has gradually risen from 48.2 per cent in 1968-69 to 55.4 per cent in 1975-76 and is expected to go up further to 56.4 per cent in 1976-77. Given the divergences in the composition of overall production, in the level of industrial growth and the effectiveness with which the number of commodities are brought within its purview, the relative share of sales tax in individual state's own tax receipts shows, however, wide variation among different states.

In some of the highly developed states like Gujarat, Kerala, Maharashtra, Tamil Nadu and West Bengal, revenues from sales tax account for about two-thirds of their tax revenues, while in some of the less developed states excluding Nagaland, Tripura, Manipur, etc, revenue from this source varies between one-third to one-half of their own tax revenues. State excise the next important tax revenue earner, contributes on an average about 12 per cent to the states'

own tax revenues. Differences in the tenor of the 'prohibition policy and in the rates of the levies are responsible for the wide divergence among the states in the share of the excise revenue in individual state's tax receipts. Nagaland and Sikkim, for example, get about half of their tax revenues from state excise, while Gujarat with rigorous prohibition, derives only 0.4 per cent of the total own tax revenues from this source. In Tamil Nadu revenues from state excise are expected to decline from Rs 56.5 crores (about one-fifth of the tax revenues) in 1973-74, to a meagre Rs 3.65 crores (about 1 per cent) in 1976-77 because of reimposition of total prohibition. Other states which rely heavily on this source of revenue are Himachal Pradesh (36.9 per cent), Jammu and Kashmir (30.4 per cent) and Andhra Pradesh (23.5 per cent).

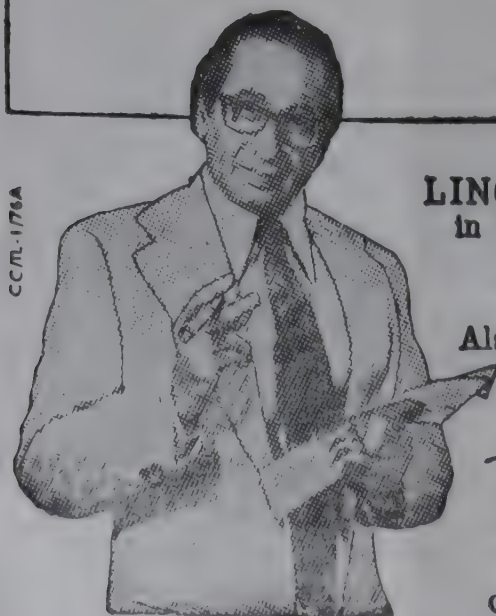
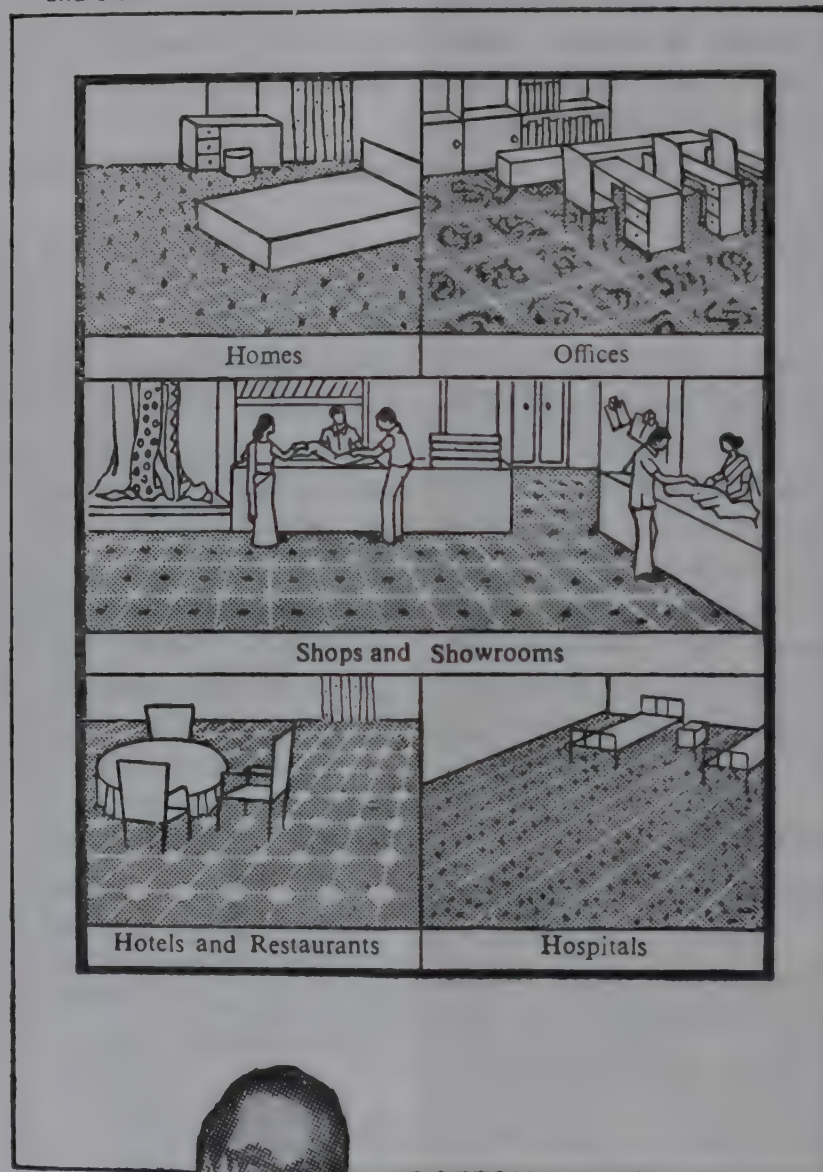
Grants-in-aid

Non-tax revenues comprising grants-in-aid received from the centre and the states' other non-tax revenues are expected to rise over the year by Rs 224 crores or by 8.3 per cent to Rs 2,928 crores in 1976-77. Grants from the centre consisting of Plan grants, statutory grants, and other non-Plan grants are budgeted to rise by Rs 65 crores to Rs 1,258 crores in 1976-77 to account for about 43 per cent of the non-tax revenue during the year, while other non-tax receipts are budgeted Rs 159 crores higher at Rs 1,670 crores. State governments have revised this year rates and fees etc, which would yield an additional revenue of Rs 14 crores. The increase of about Rs 90 crores from 'economic services' would mainly account for the higher non-tax revenue. A major

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increase is expected in receipts from irrigation charges, while receipts under dairy development are budgeted higher by Rs 19 crores. Interest receipts on the loans extended by state governments are expected to rise by about Rs 57 crores because of increase of Rs 64 crores in the interest payments to them from their departmental commercial undertakings and other autonomous public sector undertakings, which payments account for more than four-fifths of the states' interest receipts.

Capital Receipts

Capital receipts of the state governments are budgeted at Rs 2,488 crores in 1976-77, Rs 113 crores or 4.3 per cent lower than in 1975-76 during which they were Rs 430 crores or 19.8 per cent higher over the preceding year. Capital receipts excluding loans received from the centre are expected to drop by Rs 73 crores or by 5.7 per cent as against an increase of 16.7 per cent in 1975-76, though gross market borrowings are budgeted higher by Rs 28 crores. The states' indebtedness to commercial banks which had risen sharply from Rs 25 crores in 1974-75 to Rs 68 crores in 1975-76 is expected to decline by Rs 103 crores. Other capital receipts which are anticipated to decline are 'contingency funds' (net) (Rs 30 crores) and 'reserve funds' (net) (Rs 29 crores). The state governments' recoveries of their loan assistance to third parties, which increased over the year by Rs 107 crores to Rs 395 crores in 1975-76, are expected to drop by Rs 35 crores from that level. Loans from the centre would also be Rs 40 crores less than in 1975-76 entirely because of the decline of Rs 43 crores in the non-Plan loans including ways and

means assistance. Net receipts from state provident funds and small savings, deposits and advances, and suspense and miscellaneous receipts, however, are budgeted higher over the year by Rs 25 crores, Rs 7 crores and Rs 44 crores respectively.

Market Borrowing

In their budgets for 1976-77, the state governments have taken credit for Rs 303 crores (gross) by way of market borrowings as against the revised estimates of Rs 275 crores in 1975-76. A provision of Rs 105 crores has been made for repayment of maturing loans during the year. The net market borrowings of the states in 1976-77 would aggregate Rs 198 crores as against Rs 170 crores in 1975-76 after adjusting the states' repayment of Rs 100 crores to the centre on account of their share of centralised market borrowings of 1963-64 referred to earlier. During the current year the state governments entered the market on two occasions and, as per RBI records, borrowed an aggregate amount of Rs 283 crores (gross): after providing for repayment of maturing loans of Rs 103 crores, the net market borrowings may thus be estimated at Rs 180 crores or Rs 6 crores higher than in 1975-76.

At Rs 10,927 crores, the state government's aggregate disbursements in 1976-77 are budgeted Rs 728 crores or 7.1 per cent higher over the year, compared to the rise of Rs 1,565 crores or 18.1 per cent in 1975-76 (revised estimates).

Capital disbursements of the state governments other than developmental and non-developmental expenditures comprise mainly the loan re-

payments to the centre and other autonomous bodies, repayments of their own market loans and state governments' loan assistance to third parties. Repayment of loans to the centre at Rs 562 crores is expected to show a sharp decline of Rs 197 crores over the preceding year. But the repayment in 1975-76 included the repayment of Rs 100 crores on account of centralised market borrowings of 1963-64 mentioned earlier. Excluding this special repayment, the decline over the year in the loan-repayments to the centre would be of the order of only Rs 97 crores.

In pursuance of the Sixth Finance Commissions' recommendations, the state governments would get a relief of Rs 391 crores on account of rescheduling of repayments of their outstanding central loans. The state governments' loan assistance to third parties at Rs 1,037 crores is expected to be Rs 64 crores higher than in 1975-76. Loans to third parties for developmental purposes, i.e., for 'social and community' and 'economic' services are expected to be stepped up from Rs 912 crores in 1975-76 to Rs 964 crores in 1976-77 to account for 93.0 per cent of the states' total loan assistance to third parties.

Transfer of Resources

The budgets of the state governments stipulate net transfer of resources of Rs 1,499 crores in 1976-77 from the centre to the state governments as a result of the loan receipts of Rs 1,282 crores and receipts from grants of Rs 1,258 crores, along with loan repayments of Rs 562 crores and interest payments of Rs 479 crores. Similar transfer worked out

to Rs 1,415 crores in 1975-76 (revised estimates) excluding the repayment of Rs 1000 crores in connection with the 1963-64 centralised market borrowing, indicating an increase of Rs 84 crores in 1976-77 over 1975-76. The net transfer of resources from the centre to the state governments would finance 17.2 per cent of the state governments' budgeted direct expenditures on goods and services excluding their interest payments to the centre, or only a slightly lower share than that of 17.7 per cent in 1975-76.

Improved Finances

In the nature of things, the outturn of the state governments' finances for 1976-77 would not be identical with the estimates presented in the budgets for the year which are outlined earlier. The ongoing improvement that the state governments are attempting in the tax administration, in particular the deployment of more energetic efforts at recovery of arrears, may benefit revenues to an extent perhaps not fully allowed for in the budget estimates. But clearly the more significant departure from the budget estimates would arise in the area of expenditure. Severe floods/cyclones in some states and drought in some parts of a few others this year would involve sizeable relief expenditures, whereas the budget provision on this account is of a modest tenor.

Though the states would receive some central assistance for the purpose, a major portion of such expenditures would have to be borne by the states themselves. The state governments' budgetary transactions in 1976-77 would, on the basis of their budgets,

result, as indicated earlier, expenditure on natural calamities might deteriorate further the budgetary position of the state governments in 1976-77 in absence of further economies in their non-Plan expenditures and raising of resources in addition to those budgeted.

Overall Budgetary Position of State Governments

(Rs crores)

Items	1974-75 (Accounts) Amount	1975-76 (BE)		1975-76 (RE)		1976-77 (RE)	
		Amount	Per cent variation over the previous year (Col. 3 over Col. 2)	Amount	Per cent variation over the previous year (Col. 5 over Col. 2)	Amount	Per cent variation over the previous year (Col. 7 over Col. 5)
1	2	3	4	5	6	7	8
I. Aggregate Receipts (A+B)	8603	9266	+ 7.7	10221	+18.8	10889 (10745)	+ 6.5 (+ 5.1)
A. Revenue Receipts (i+ii)	6432	6998	+ 8.8	7620	+18.5	8401 (8257)	+10.2 (+ 8.4)
(i) Tax Receipts (a+b)	4109	4498	+ 9.5	4916	+19.6	5473 (5343)	+11.3 (+8.7)
(a) States' Taxes	2881	3133	+ 8.7	3421	+18.7	3838 (3740)	+12.2 (+ 9.3)
(b) Share in Central Taxes	1228	1365	+11.2	1495	+21.7	1635 (1603)	+ 9.4 (+ 7.2)
(ii) Non-Tax Receipts (c+d)	2323	2500	+ 7.6	2704	+16.4	2928 (2914)	+ 8.3 (+ 7.8)
(c) Grants from the Centre	1022	1088	+ 6.5	1193	+16.7	1258	+ 5.4
(d) Other Non-tax Receipts	1301	1412	+ 8.5	1511	+16.1	1670 (1656)	+10.5 (+ 9.6)
B. Capital Receipts (i+ii)	2171	2268	+ 4.5	2601	+19.8	2488	- 4.3
(i) States' Capital Receipts	1096	1125	+ 2.6	1279	+16.7	1206	- 5.7
Of which :							
(a) Market Borrowings (Gross)	306	291	- 4.9	275	-10.1	303	+10.2
(b) Recovery of Loans and Advances	288	348	+20.8	395	+37.2	360	- 8.9
(ii) Loans from the Centre (Gross)	1075	1143	+ 6.3	1322	+23.0	1282	- 3.0
II. Aggregate Disbursements	8634	9255	+ 7.2	10199	+18.1	10927	+ 7.1
Of which :							
(a) Developmental Expenditure* (i+ii)	5944	6213	+ 4.5	6934	+16.7	7466	+ 7.7
(i) Social and Community Services	2649	2797	+ 5.6	3008	+13.6	3206	+ 6.6
Of which :							
Expenditure on Natural Calamities	116	99	-14.7	122	+ 5.2	53	-56.6
(ii) Economic Services	3295	3416	+ 3.7	3926	+19.2	4260	+ 8.5
(b) Non-developmental Expenditure*	1946	2289£	+17.6	2344	+20.5	2659£	+13.4
(c) Repayment of Loans to the Centre	505	642	+27.1	759	+50.3	562	-26.0
(d) Discharge of Internal Debt	124	32	-74.2	36	-71.0	138	-
Of which :							
Market Loans	91	1	-98.9	5	-94.5	105	-
III. Overall Surplus (+) or Deficit (-) (I-II)	- 31	+11		+22		-38 (-182)	

Notes : 1. Budget estimates for 1975-76 include estimated yield from the states' budget proposal (Rs 83 crores), addition (Rs 55 crores) to receipts from central sales tax following the revision of the ceiling for the central sales tax rate, and the states' share in the centre's net additional taxation (Rs 41 crores).

2. Budget estimates for 1976-77 include estimated yield from the states' budget proposal (Rs 112 crores) and the states' share in centre's additional taxation (Rs 32 crores), but exclude reduction in their receipts from taxes shared with the centre as a result of post-budget tax concession announced by the centre on May 12, 1976. Figures in brackets reflect 1975-76 rates of taxation.

3. Data given here differ slightly from those given in the Bank's annual report due to revisions in figures.

*Comprises states' expenditures on revenue and capital accounts and loans and advances extended by states.

£Includes, in respect of Rajasthan for 1975-76 (B.E.) and 1976-77 (B.E.) and Haryana and Madhya Pradesh for 1976-77 (B.E.), the entire liability on account of additional dearness allowance granted to state employees which could not be allocated between developmental and non-developmental expenditures because of non-availability of required details.

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